

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <u>City of Dearborn, MI</u>	County Wayne
Audit Date June 30, 2004	Opinion Date October 15, 2004	Date Accountant Report Submitted To State: December 29, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>PLANTE &amp; MORAN, LLP</b>			
Street Address 27400 Northwestern Hwy.		City Southfield	State Michigan
ZIP 48034			
Accountant Signature 			

# **CITY OF DEARBORN, MICHIGAN**

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2004**

### ***MAYOR***

Michael A. Guido

### ***CITY COUNCIL***

#### **Council President**

John B. O'Reilly, Jr.

#### **Council President Pro-Tem**

Nancy A. Hubbard

#### **Council Members**

Mark Shooshanian

Gino H. Polidori

Thomas P. Tafelski

Robert A. Abraham

Suzanne Sareini

James J. O'Connor  
Finance Director/Treasurer

Karen A. Karasinski  
Deputy Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dearborn,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

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MICHAEL A. GUIDO  
MAYOR

# CITY OF DEARBORN

*Home Town of Henry Ford*

DEPARTMENT OF FINANCE  
ACCOUNTING DIVISION

JAMES J. O'CONNOR  
Finance Director/ Treasurer

KAREN A. KARASINSKI  
Deputy Finance Director

October 25, 2004

Honorable Mayor, Michael A. Guido,  
Members of the City Council, and  
Citizens of the City of Dearborn:

The Comprehensive Annual Financial Report (CAFR) of the City of Dearborn, for the fiscal year ended June 30, 2004, is submitted with this letter. The City's Finance Department prepared this report pursuant to requirements of both the City Charter and Michigan law.

## MANAGEMENT REPRESENTATIONS

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

We believe that the financial information, as presented:

is accurate in all material aspects;  
is presented in a manner designed to set forth fairly the financial position and results of operations of the City as measured by the financial activity of its various funds;  
includes all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs.

## SIGNIFICANT CHANGE IN PRESENTATION

The City adopted GASB Statement 34, *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"* for the year ended June 30, 2002. The financial statements presented are based on the new reporting format. The format and purpose of these changes are addressed in the Management's Discussion and Analysis section of this report.

## FORM OF GOVERNMENT/CITY PROFILE

The City of Dearborn is located in southeast Michigan and borders the City of Detroit to the east. The 2000 census reported a population of 97,775, which is an increase of 8,489 from the 1990 census. While many other older communities lost population, Dearborn continues to grow. The building activities reflect the desire of people to live here. The superior public services and facilities, a well-established employment base, proximity to Detroit and other affluent suburbs, Detroit Metropolitan Airport, and transportation systems, make Dearborn a desirable community in southeast Michigan for families and businesses.

The present City of Dearborn was incorporated in 1929 consolidating the former cities of Fordson and Dearborn. The City operates under a strong mayor, weak council form of government. Its most recent charter was adopted November 3, 1979 and was effective July 1, 1980. The City is incorporated under Michigan law as a home rule city.

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Elected officials are composed of the Mayor, City Clerk, and seven Councilpersons who are elected at large. All terms of office are four years. Department Directors and the Chief of Staff are appointed by and serve at the pleasure of the Mayor with the exception of the Human Resource (Civil Service) Director, City Planner, City Librarian and Curator of the Historical Museum who are appointed by their respective commissions. Corporation Counsel is appointed by the Mayor, subject to confirmation by the City Council. The Mayor is responsible for administration of all departments and functions of the City government not under the jurisdiction of any other elected official or the Civil Service Commission. The City Clerk has duties related to keeping the public records. City Council is headed by a Council President who is the member receiving the highest number of votes in the last general election. The Council is responsible for all legislative matters including adoption of the City budget.

The City established a Finance Committee that held its first meeting June 25, 2003. The committee includes two councilmembers, the Finance Director, and the Chief of Staff. The committee adopted an auditor rotation policy that allows for the continuation of an audit firm, but requires, among other things, that the in-charge partner be rotated at least every five years. This policy was accepted by City Council on January 15, 2004.

## **REPORTING ENTITY AND SERVICES**

For financial reporting purposes, the City includes all of its funds. The City provides a full range of municipal services that include public safety, sanitation, health, culture and recreation, public management, planning, and general administrative services. Water and sewerage services, the golf course, public parking lots and senior citizen housing are accounted for in the City's enterprise funds. Trust and Agency funds are also included and account for pension system fund and other trust capacity activities. There are four component units, which are primarily tax capture entities. The component units include the East and West Downtown Development Authorities, the Brownfield Redevelopment Authority and the Economic Development Corporation. These entities are included because of the close relationship and influence of the city. The City has performed the *"Determining Whether Certain Organizations are Component Units"* test as required by GASB Statement 39 and has not included any other entities for reporting at this time.

## **REPORT ORGANIZATION**

This Comprehensive Annual Financial Report is intended to meet the needs of a wide variety of interested parties. It is divided into the following major sections:

**Introductory Section** - Includes this transmittal letter, some key facts about the City, the City's organizational chart, a list of principal officials and the independent auditor's report.

**Management's Discussion and Analysis** – Describes the objectives of financial reporting under the guidance of GASB 34 and analyzes the City's financial activities.

**Basic Financial Statements** – Is the government-wide and fund financial statements, along with the notes to the financial statements. These are the City's basic financial statements that provide an overview for readers who need less detailed information than that contained in the balance of the report.

**Required Supplementary Information** – Includes information regarding the City's retirement systems and a budgetary comparison schedule for the General Fund.

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**Other Supplementary Information** – Includes a more detailed view of individual funds, combining them by type into totals that agree with those shown in the basic financial statements. It also includes comparisons of revenues and expenditures with related FY2004 budget amounts for governmental funds, as well as a schedule of indebtedness.

**Statistical Section** - Presents selected additional detail on elements of the financial statements, such as debt. Multiple year trend information is also presented here as well as selected economic and miscellaneous information intended to help the reader gain a better understanding of the City's characteristics and operations.

**Single Audit of Federal Programs** - The City is required to undergo an annual single audit of its federal financial assistance in conformity with the provisions of the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including the independent auditors' reports, schedule of expenditures of federal awards, schedule of findings and questioned costs (none reported), and other applicable information is included in the single audit section.

## **ECONOMIC CONDITION AND OUTLOOK**

The economy for the City of Dearborn is stable, but noticeably influenced by the national economy. Local employers, including the City, continue to reduce staffing. The overall expectation for the region for the coming year is stability and slow growth with a minimal inflation rate.

The automotive industry is one of the major industries affecting the economy of the State of Michigan. Due to the downturn and slow growth, the State of Michigan has experienced a decline in its revenues, resulting in the Governor and Legislature reducing state shared revenue distributions to local governments, including the City of Dearborn.

The City of Dearborn is an employment center as it is home to the world headquarters of Ford Motor Company. In addition to the world headquarters, Ford has a large research and development facility, and the Rouge Complex manufacturing plant. Several large automotive suppliers also have operations within the city.

Despite the downturn the auto industry has experienced over the last several years, Ford Motor Company has made a commitment to reorganizing and improving its operations to maintain its long-term viability.

The rebuilding of the Rouge Plant operations, that are part of Ford's Heritage Project, continues with visual improvements and components placed into operation. The completed project is designed to be "state of the art" and a leader in its industrial operation.

The Federal Reserve low interest rate economic stimulus policy has had an impact on the City of Dearborn. The automotive industry continues to offer very favorable financing incentive packages for consumers to stimulate vehicle sales. The low interest rates have also supported the turnover of housing resulting in the "uncapping" of the assessed taxable value of homes. Under Proposal "A" of 1994 the taxable value growth rate is limited or capped, and when a home is sold, the home is reassessed to current market value. Construction activity and planned activity is quite favorable. The low interest rate environment is expected to continue to provide incentive for capital investment and reinvestment.



## **MAJOR INITIATIVES**

The City of Dearborn's personnel continue to strive for constant improvements to provide the highest level of customer service possible within revenue constraints. Satisfaction of our citizens, customers, and partners is the organization's driving force. All of the services provided are evaluated on the basis of the benefits they provide both to individual users and to the community as a whole.

In 2002, at the direction of Mayor Guido, Mark Guido, the Chief of Staff, established the City Development Initiative (CDI). The department directors serve on this steering committee and sub-committees have been formed and involve all levels of personnel. The intent of CDI was to address some specific areas of interest and move the organization to a more collaborative inclusive operational approach. To date, the initiative has made progress and is attending to important internal issues such as: Technology, Communication, and Pay and Staffing. Several administrative policies and actions have resulted from the work. The Mayor established a set of "Mayor's Initiatives" that are focused on some of the Mayor's priorities. These items are:

- Neighborhood Preservation
- Major Thoroughfare Beautification
- Downtown Redevelopment
- Parking Systems
- Underutilized Land

### **Neighborhood Preservation**

Neighborhood preservation and improvement is a top priority. The "Operation Eyesore" program has been instrumental in removing substandard structures for years. The City acquires substandard properties and then sells the property to individuals or developers. Existing structures are usually demolished as part of the program.

Residential rehabilitation programs, funded through a variety of sources, are now managed more comprehensively. These programs help maintain and improve housing for low and moderate-income residents.

The Mayor's "Neighborhood's First" program is an intense program of neighborhood renovation. A focus group of representatives from several city departments were challenged to create a long-term program to maintain neighborhood standards by helping residents/property owners help themselves, thereby renewing our on-going commitment to care for and maintain residential city property. The "Neighborhoods First" program "blitzes" one neighborhood at a time. Its long-term strategy includes: crime prevention and awareness, commercial and residential code enforcement, outreach and counseling services and crisis intervention, educational assistance, infrastructure improvement and maintenance, and purchase and demolition of substandard structures with subsequent redevelopment. The "Neighborhoods First" program is on a neighborhood-by-neighborhood basis, and will continue until the entire City is covered.

Three years ago, a program called "Residential Rescue" was implemented that combines the efforts of many departments as well. The team works aggressively to address deteriorated homes by either pursuing a renovation strategy or demolition. The program is a proactive approach and preventative in nature. The team has targeted 3,100 properties throughout the city. The program has a social services element in which the team assists people with rehabilitation of their property or finds suitable housing. Often a property is deteriorating

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because occupants lack the ability to care for the property rather than intentional neglect. The team seeks a beneficial outcome for all involved.

The neighborhood work of the past has provided the impetus to enhance the coordinated effort for monitoring, educating, and enforcing building and related ordinances. The Mayor made neighborhood sustainability and improvement a priority and provided resources to double the efforts of the Building & Safety department. Without question, Dearborn has the most proactive and progressive effort directed at neighborhoods in the State.

### **Major Thoroughfare Beautification**

The major roadways, excluding freeways, are for the most part business districts. The City of Dearborn has collaborated with Wayne County and the Michigan Department of Transportation to incorporate streetscaping activities with the rebuilding of streets. For example, Michigan Avenue (US12) in the east end of Dearborn is under construction and is expected to be completed this year. It is being completely rebuilt, including the replacement of all underground utilities and a streetscape plan.

In addition to these projects, the Mayor has established a higher appearance standard for the major roadways. These improvements, that are maintenance in nature and are directed at the frequency of grass cutting, edging, and street cleaning, have provided an overall enhanced appearance.

### **Downtown Redevelopment**

Dearborn has five downtown geographic locations. Central, West and East downtowns run along Michigan Avenue (US12). Warren Avenue on the north end of the City of Dearborn is a fourth downtown environment. There is a fifth business district in the south end of the city.

Central Dearborn is following the Ford Motor Land master plan called "the Fairlane Community" that was launched in 1970. The former 2,360-acre land holdings of Henry Ford I are being developed into a model urban center. According to Ford Motor Land, the combined developments are the largest single corporate development in the nation. The Fairlane Community includes technology and research, residential, shopping centers, hotels, medical centers, office parks, commerce parks, a Jack Nicklaus designed championship golf course, and other miscellaneous developments. The Southfield Freeway connects to Interstate-94 and the Detroit Metropolitan Airport. These freeways pass through central Dearborn and allow people to commute rapidly to the airport or to access the interstate to travel to Detroit or Chicago. There are many high-rise business complexes, including Ford World Headquarters, scattered in this area of the city.

The 200,000 square-foot Ford Community and Performing Arts Center is located in Central Dearborn. It opened in the summer of 2001 and received national recognition for its design. This facility replaced the old Civic Center that was the City's main recreational facility. The recreation component of this new building is 94,000 square-feet, the multi-purpose component is 20,000 square-feet, and the theatre and fine arts component is 86,000 square-feet. The combined structure is the largest municipal-owned facility of its kind in North America. The new center features: a 1,200 seat theater with a grand staircase, a surrounding balcony and museum-quality art gallery, a 200 seat "black box" multi-purpose room for smaller theater productions or conference/banquet rental, a great hall, a senior citizen wing, several meeting rooms, aerobic and dance studios, an indoor leisure pool with zero-depth entry, slides, a lazy river, a spa, an indoor lap pool with diving boards, fitness machines and free weights, a 30 foot high indoor rock

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climbing wall, double gymnasium with a second level track, café, babysitting services, and much more. Dearborn clearly offers superior recreational and cultural opportunities. Central Dearborn is attractively designed, continues to develop, and is a very desirable location for professional businesses and living.

In the west-end business district, the City of Dearborn currently owns a significant set of contiguous property parcels. The City of Dearborn is partnering and has a preferred developer agreement with a large well-established developer to convert this property into 52 condominiums, a hotel, a business tower, and retail stores/restaurants. The City is completing the land preparation work and the property sale closing is expected this year. This development will connect to the very successful West Village, a high density retail/residential development that became operational in the late 1990's. The entire business district has become very active and in demand. Buildings are being privately acquired and rebuilt to include second floors with loft apartments. Several restaurant/bar/entertainment businesses have opened and more are expected. The area has been described as a "boom town" and the evident activity surely supports this description. The lunch and nightlife pace has dramatically increased. Dearborn's West downtown has been called "historically hip" and is a destination place where people want to be.

In East Dearborn, the rebuilding of Michigan Avenue, including streetscaping, is in progress. In the late 1990's a residential development, Georgetown Commons, was successfully completed behind City Hall. The City Hall complex anchors one of the corners of the east end downtown. On one of the other anchor corners is a large vacant building resulting from the bankruptcy of Montgomery Ward in 1997. Investors have acquired the property and have proposed projects ranging from renovation to replacement. Aggressive interest in this building and project alternatives continue to be forthcoming. The redevelopment of this site will be a key to the successful future of this downtown. Across from City Hall, a non-profit organization, ACCESS, has acquired a building and is building an Arab American National Museum. An investment of \$12.8 million resulting in a 38,500 square foot building is scheduled. Resources, including some financing, have been secured and construction is in progress. Many of the current businesses have rebuilt or expanded their operations. Expectations are high and the potential for district improvements are positive.

In the north end the Warren Avenue Phase 1 reconstruction was completed a year ago with new concrete and curb cuts for on-street parking. In addition, streetscape work includes new colored sidewalks, public benches, trees, etc. Entrepreneurial spirit is very high, occupancy is high, and businesses are active. The second phase is scheduled and extends this type of work to another section of the roadway.

### **Parking Systems**

The City of Dearborn owns a number of parking lots, most of which are located in the East and West downtowns. Some of the outlying bts are being sold. Separate East and West Parking System Funds were established for fiscal year 2003. Distinct parking systems are being put in place for each business district. Lots are being rebuilt and redesigned to include landscaping and other aesthetically pleasing amenities. Two parking decks are being constructed to support the parking system. Additional decks may be built if demand and/or future developments with higher density are initiated. The West Dearborn Parking System is implementing a user paid system.

### **Underutilized Industrial Land**

The City of Dearborn has little undeveloped property available. Ford Motor Company has, or is in the process of, rebuilding its manufacturing facilities. The City of Dearborn is monitoring and taking action to make sure that all structures are maintained or replaced. The City has been approached by organizations interested in locating within the community. Large parcels of property for industrial or business use are in demand. Much of the industrially zoned property was developed in the early part of the last century. Age and obsolescence have depreciated values to a level that approximately 75% of industrial acreage not owned by Ford, Visteon, or Rouge Steel is considered to be underutilized or undervalued.

The City of Dearborn is an active player in the redevelopment of brownfield locations. A Brownfield is a commercial property that is abandoned or may be significantly underutilized in relation to its potential and best use. In many cases, the business-life has expired and the property has or is perceived to contain environmental contaminants prohibiting re-use or redevelopment. These properties become eyesores, decline in value, and can negatively impact the surrounding properties. Developers find it easier and cheaper to develop greenfields, therefore consuming resources instead of reusing previously used property. Dearborn has pursued Federal and State assistance for projects of the brownfield nature and has successfully redeveloped brownfield sites. Several years ago, Kenwal Steel was built as a brownfield project. In 2002, Kenwal Steel opened a \$14 million, 150,000 square-foot, pickling plant. Just down the road, another brownfield site, the former Sharon Steel Corporation (now bankrupt, 1932-1989), was planned to be redeveloped into 47 new 2000+ square-foot homes. However, the school district enrollment has exceeded facility capacity and the school district has purchased the property to build a new school. Both of these projects required significant efforts from the City of Dearborn in partnership with private developers and the State of Michigan.

The City of Dearborn has been acquiring property in an area that is geographically favorable for industrial use and in close proximity to other industrial activity. This area is cut-off by freeways and major roadways from the rest of the city and is unfavorable for accessing schools. It is anticipated that the parcels will be consolidated and converted to a new use. The City of Dearborn has analyzed all of the underutilized locations and in time intends to address each one.

Smaller new developments and redevelopments are evident throughout the city. The demand for vacant property is fierce. Contractors aggressively pursue and bid for limited vacant land. New locations have been opened by several national retailers like CVS, Walgreen, and Home Depot. Developers are purchasing property with older buildings, demolishing the old structures, and building new facilities to match current use/demand. For example, the Crowley's department store, a strip mall anchor, was removed and Kroger built a large style grocery store. Kroger moved from a smaller building in the same mall. This building was quickly occupied by Marshall's department store.

All of these initiatives show the City of Dearborn's commitment to maintaining its viability as a residential and business community.

Outside of the CDI efforts, the Federally mandated combined sewer overflows (CSOs) project continues to be a major endeavor. A revised National Pollution Discharge Elimination System permit has been negotiated with the Michigan Department of Environmental Quality (DEQ) and Dearborn. Engineering is completed and construction on the first phase is scheduled to begin in the last calendar quarter of 2004. A debt service millage was approved by the voters in the

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spring of 2004 for financing the CSO project. The City was awarded a low interest State Revolving Fund loan to pay for a majority of the first phase of the project.

The City of Dearborn has implemented funding mechanisms for major asset replacement, infrastructure replacement and capital type maintenance. The City Engineer has set funding levels for streets, sidewalks, water and sewer lines. Major assets such as vehicles and off-road equipment have replacement schedules with replacements funded on an ongoing prorated annual basis. Technological equipment is following the same funding approach and a mass replacement is in process and will be completed by end of fiscal 2005.

Mayor Guido and the Council of the City of Dearborn are responsive to the community. Challenges are identified, openly communicated, and action is planned and taken. In November 2001 Dearborn voters re-elected Mayor Michael Guido to a 4<sup>th</sup> term in office. The Mayor received an overwhelming majority of the vote with nearly 80% of votes cast for him. The citizens showed a clear preference for continuity in leadership that enables Dearborn to build and maintain a level of public services second to none.

## **FINANCIAL INFORMATION**

### **ACCOUNTING SYSTEM INTERNAL CONTROL STRUCTURE**

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **BUDGET CONTROLS**

The City's budget is prepared in compliance with uniform budgeting provisions of Michigan law for all governmental fund types and in conformity with generally accepted accounting principles (modified accrual basis of accounting). Under the modified accrual basis of accounting, expenditures are recognized when the related liability is incurred and revenues are recognized when measurable and available. Expenditures are controlled at the department level (General Fund), project level (Capital Improvement Fund), or fund level (all other funds), as appropriate. Encumbrances, which are reservations of fund balance and not expenditures, are used as an extension of formal budgetary control.

## **GENERAL GOVERNMENT**

The City of Dearborn is a full-service government. The Mayor, the Clerk, and City Council have department designations. Public Safety departments include: Police, Fire and Rescue, and Building & Safety. The Department of Public Works manages the water and sewer systems, sanitation, infrastructure projects, and general cleaning and maintenance of city property. Culture and Recreation encompasses a main library and 3 branch libraries, a Historical Museum, and a robust Recreation Department including neighborhood parks, a major park, a dual ice surface arena, the Ford Community & Performing Arts Center, and a municipal golf course. The City operates a part-time Health Department. The City has separate Planning, Economic & Community Development, and Housing departments. Legal, Finance, Human Resources, Assessment, and Public Information function as support-type departments. The City of Dearborn is a medium sized community, but in many respects operates like a large community due to the presence of Ford Motor Company and the corresponding business environment.

## **PROPRIETARY TYPE OPERATIONS**

The City operates the water and sewer utilities. The City relies on and compensates the City of Detroit for providing clean water and for treating sewage. The Recreation Department operates an 18-hole golf course and the Housing Department manages five retirement buildings within the City and one building in Clearwater, Florida. The Parking System Funds were established to account for the construction, maintenance and operation of City-owned parking lots. A group of internal service funds are operated for supporting the primary government.

## **DEBT ADMINISTRATION**

In fiscal 1995, the City had two revenue bond issues to finance the Combined Sewer Overflow/Retention Treatment Tunnel Project (CSO). Series 1995A bonds, in the amount of \$2,080,000, were issued through the Michigan State Revolving Fund and \$26,750,000 Series 1995B bonds were sold on the open market. On February 26, 2004 the City issued \$18,230,000 in Sewage Disposal System Revenue Refunding Bonds, Series 2004 and used the proceeds to pay off the balance of the Series 1995B bonds. The City's credit rating on the latter issue was Aaa from Moody's Investors Service and AAA from Standard & Poor's.

In fiscal 1996, \$12,000,000 in 1995 Building Authority bonds were sold to finance a new court facility and renovations to Police and Communications Department areas in the police station. On April 23, 2004 the City issued \$8,630,000 in general obligation limited tax bonds and used the proceeds to advance refund the 1995 Building Authority bonds. Moody's Investors Service rated this issue Aaa while Standard and Poor's issued a rating of AAA.

In March 1998, \$11,975,000 of Building Authority general obligation limited tax bonds were issued. The bond proceeds were used to finance the expansion of the ice arena for a second ice surface, improvements to Ford Woods Park and renovation of the heating and cooling plant that services the police and court building, the main library, and the Ford Community and Performing Arts Center. Included in this bond issue was \$3.475 million to refinance the 1991 Building Authority golf course bonds. In November 1996, Dearborn voters approved up to \$23,860,000 in general obligation bonds for expansion of the Civic Center to the Ford Community and Performing Arts Center. These bonds, which are unlimited general obligation bonds, were issued in June 1998. The March 1998 Building Authority bond issue, as well as the June 1998 voted issue, were sold with bond insurance purchased by the underwriters to obtain an "AAA" rating.

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The City issued \$6,000,000 in revenue bonds through the Michigan State Revolving Fund for the Miller Road Pump Station project on March 28, 2002.

The Debt Service Fund records the debt millage income and the payment of debt service for the Ford Community and Performing Arts Center. The millage rate is set to the best of our abilities to mirror the amount needed to cover the debt service. A minimal fund balance is needed to cover any tax income fluctuations resulting from property value changes. The money collected is used exclusively for the retirement of debt. Municipal Building Authority debt service is paid by the operating millage for general government facilities and by user fees for the municipal golf course. The Combined Sewer Overflow (CSO) debt is paid by user fees.

On June 24, 2004 the City of Dearborn issued \$13,260,000 of Limited Tax General Obligation Bonds, Series A and \$930,000 in Limited Tax General Obligation Bonds, Series B (Taxable) of which \$11,260,000 of the Series A (non-taxable) and all \$930,000 of the Series B (taxable) bonds will be used to construct parking decks, renovate existing lots and implement a paid parking system. The remaining \$2,000,000 of Series A (nontaxable) bonds will be used for technology upgrades to various City facilities. Standard & Poor's rated the Series A bonds at AAA and the Series B (taxable) bonds at A+.

Additional debt was issued for the CSO project in early FY2005. In September, 2004 \$61,640,000 of Series 2004A bonds were issued through the Michigan State Revolving Fund and in October, 2004 an additional \$24,500,000 of Unlimited Tax General Obligation Sewer bonds were issued to complete the funding needs for Phase I of the CSO project. The latter bonds were rated by Moody's Investors Service at Aaa and Standard & Poor's at AAA. Additional debt will be issued for the CSO project when final designs are ready for Phases II and III.

In addition to bonded debt, the City has used installment purchase agreements from time to time as a means of financing the acquisition of selected equipment. Vehicles, construction equipment, fire apparatus, data processing, radio and telephone equipment have been financed with this method. Expected useful lives of equipment so financed is five to seven years or more, which substantially exceeds the typical financing term of four years. Bonds may also be issued to finance improvements to various buildings and facilities based on updates of the City's capital improvement plan.

#### **FIDUCIARY FUND TYPE OPERATIONS**

The City operates three pension trust funds, including two for police and fire personnel (one open, one closed) and one closed for substantially all other full time personnel. Full time non-police and fire personnel, not covered by the pension plan, are covered by a defined contribution plan. The performance of the equity markets are of great concern for the pension systems. Actuary and Investment Consultants are advising the Trustees. The City continues to make all contributions required by actuarial valuations as it has since 1966 when amortization of unfunded pension liabilities began.

#### **COMPONENT UNITS**

Included in this section of the report, as component units, are the East and West Dearborn Downtown Development Authorities (EDDDA and WDDDA). These units account for monies from tax increment financing districts under each authority's jurisdiction. These resources are being accumulated to fund future redevelopment of both the East and West Dearborn Business Districts. The Brownfield Redevelopment Authority is a component unit established for the redevelopment

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of environmentally contaminated property. The State of Michigan provides grants and loans in support of approved projects.

## **CASH MANAGEMENT**

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its investment portfolio. Cash temporarily idle during the year was invested in certificates of deposit, U. S. government securities and top rated commercial paper. Cash is internally pooled for investment purposes using two separate pools distinguished by the investment needs of participating funds. One pool is strictly for short-term operating cash, while the other pool is composed of money that can be safely invested for periods of one to seven years. Funds in the latter pool consist mainly of self-insurance reserves and some monies designated for future capital projects. Earnings are allocated based on time and dollar weighted participation in each pool. A formal investment policy was adopted by the City Council in November 1998.

## **RISK MANAGEMENT**

The City employs a full-time attorney to serve as a risk manager whose primary task is focusing on loss control in the areas of civil and fleet liability. The risk manager also assists with the administration of the workers compensation program. All City programs undergo a periodic risk analysis. Contractors doing business with the City on work judged to have significant exposure are required to provide insurance, with the City named as an additional insured.

For both civil and fleet liability, the City retains the first \$500,000 of claims on any one incident. For fiscal 2004, this number increased to \$750,000. In summary, insurance for general and fleet liability has a \$6 million limit per occurrence, backed by a \$6 million umbrella, both per occurrence and in aggregate. Workers compensation has a \$500,000 self-insured retention per accident, backed by a statutory (unlimited) excess policy.

Loss control services of the City's insurers are used regularly to reduce exposures. An accident review board routinely investigates all accidents involving City owned vehicles. Action is taken to help avoid repetition and the resulting loss or injury. Actions may include discipline, training, and changes in equipment or operating procedures. Both the City's risk manager and its training coordinator support these efforts. City employees are encouraged to look for and report any hazardous conditions encountered in the course of their normal work.

The City has maintained its program of sidewalk inspection and replacement to help reduce the number of "trip and fall" claims. In most years, between \$500,000 and \$800,000 have been spent replacing sidewalks and driveway aprons throughout the City. The cost of the program is largely borne by property owners.

A high level of training for police officers continues to be maintained, emphasizing control of losses arising from police pursuits, improper arrests or improper use of force. Loss control also includes inspection of facilities for, and correction of, hazards that increase risk of property losses. The City relies heavily on visits and recommendations from our insurers' staff for this.



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### **INDEPENDENT AUDIT**

State of Michigan statutes and City Charter require that an independent audit be made of the City's financial statements. In addition to meeting these requirements, the audit also is designed to meet the requirements of the Single Audit Act of 1984 covering the City's federal financial assistance. Plante & Moran, LLP whose reports are included, has performed this audit for fiscal year 2004.

### **AWARDS**

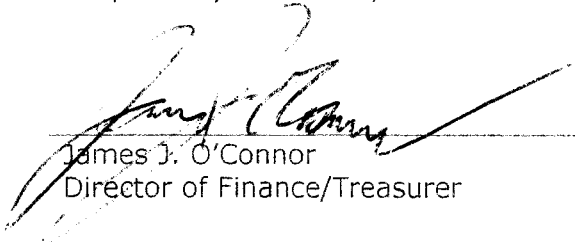
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Dearborn for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2003. This was the fifth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized CAFR. This report satisfies both GAAP (Generally Accepted Accounting Principles) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### **ACKNOWLEDGEMENTS**

Appreciation is extended to the elected officials, department heads, and other employees responsible for contributing to the sound financial position of the City. In particular, we acknowledge the special efforts of the entire Finance Department staff that contributed to the development of this report.

Respectfully submitted,



James J. O'Connor  
Director of Finance/Treasurer



Karen A. Karasinski  
Deputy Finance Director

## CITY OF DEARBORN MISSION STATEMENT

### PREAMBLE

Dearborn has a reputation for providing outstanding public service. For over 70 years, Dearborn citizens have benefited from a public service philosophy that has placed their well-being ahead of all other priorities. Today, because of this philosophy, providing outstanding public service is no longer a goal; it's a standard. This standard makes Dearborn a unique and special place to live and work.

Dearborn citizens have responded with a deep sense of loyalty and devotion to the city. They possess a fierce pride in its reputation and are confident in the city's ability to prosper in the future.

### MISSION

**Our mission is to provide the best possible public service as defined by the citizens of this community in the most efficient manner. This mission includes preserving the finest from Dearborn's past and building on past successes for the future.**

### GUIDING PRINCIPLES

Dearborn citizens can expect:

The city's total commitment to provide the best possible service

Respect and courtesy

Fair and consistent treatment

Cooperation and honesty

Open communication and easy accessibility

Our constant readiness to help

City employees can expect:

Trust, respect, honesty, and fairness

The basic resources needed to do a good job

Clear and complete direction when necessary

A supportive environment that encourages input on what should be done and how it should be done

Recognition and reward based on merit

City employees are expected to:

Make a total commitment to provide the best possible public service

Use all available resources efficiently and effectively

Continuously seek ways to improve service delivery through innovation

Continuously seek feedback from citizens

Be responsible and accountable for their actions

Ask for training when necessary

Challenge the status quo if they believe that service delivery can be improved

Value, support, and respect co-workers as teammates

The city administration will:

Foster cooperation and teamwork between employees and citizens

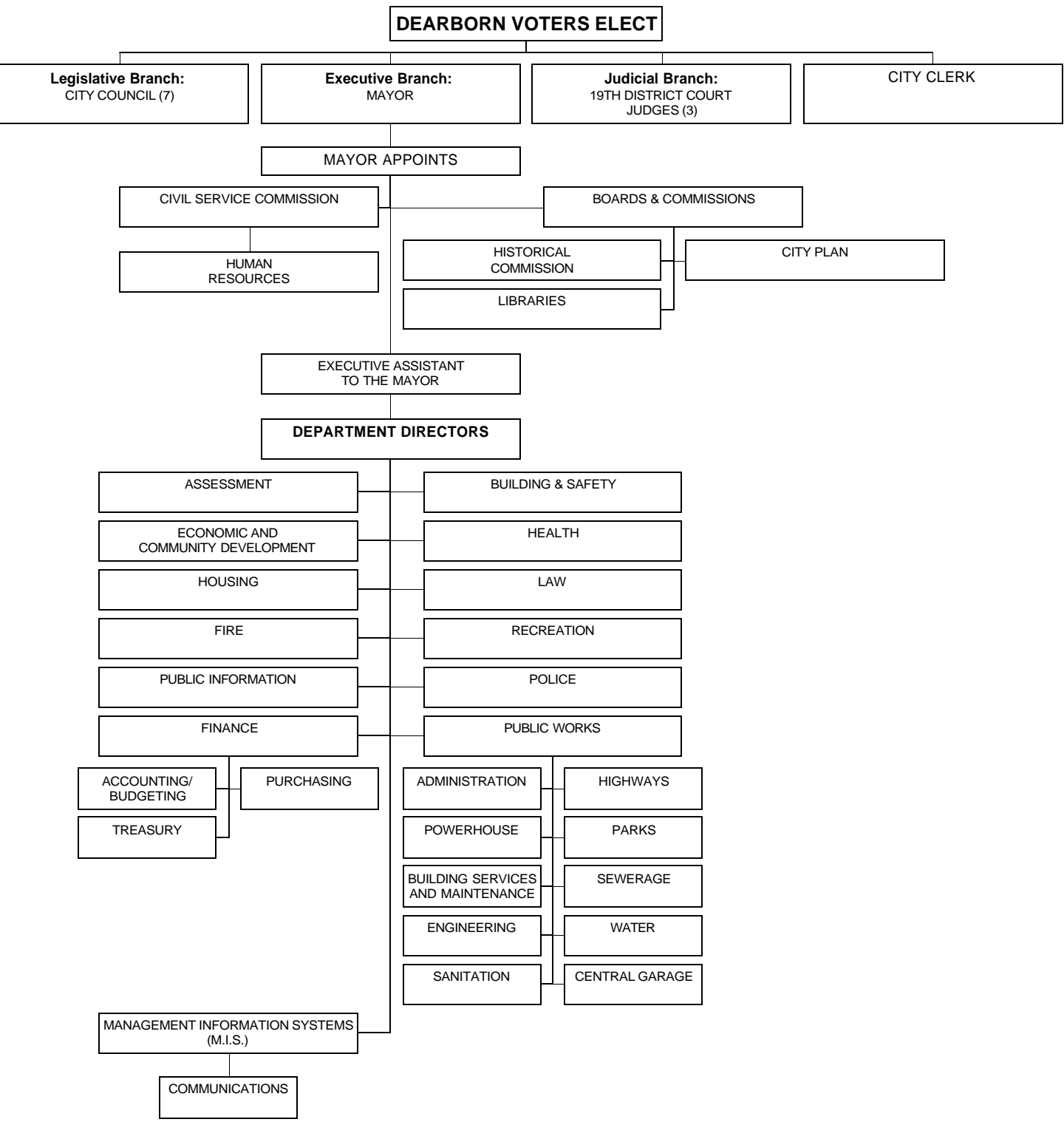
Evaluate every action based on its value to our citizens

Work with other public agencies to obtain the most benefits for our citizens

Attract citizens dedicated to Dearborn and its future

Continually strive to improve our efficiency and effectiveness

# DEARBORN'S ORGANIZATION CHART



**CITY OF DEARBORN, MICHIGAN**

**List of Principal Officials**

**June 30, 2004**

TITLE	NAME
Mayor	Michael A. Guido
City Clerk	Kathleen Buda
City Council President	John B. O'Reilly, Jr.
Council President Pro Tem	Nancy A. Hubbard
Council Members	Mark Shooshanian
	Gino H. Polidori
	Thomas P. Tafelski
	Robert A. Abraham
	Suzanne Sareini
Building & Safety Director	David J. Norwood
City Assessor (Acting)	Bonnie L. Ordus
City Engineer	Godfrey A. Udoji, P.E.
City Librarian	R. Patrick Coady, Ph.D.
City Planner	John J. Nagy
Corporation Counsel	Debra A. Walling
Economic & Community Development Director	Romeo Betea
Mayor's Chief of Staff	Mark G. Guido
Finance Director/Treasurer	James J. O'Connor
Human Resources Director	Valerie Murphy-Goodrich
Manager Information Systems	Doug Feldkamp
Purchasing Agent	John T. Sullivan
Fire Chief	Nazih Hazime
Health Director	Joan Gumkowski
Housing Director	Floyd Addison
Museum Chief Curator	Mary V. MacDonald
Police Chief	Timothy Strutz
Public Works Director	Kurt A. Giberson
Public Information Director	Mary Laundrouche
Recreation Director	Greg Orner

## Independent Auditor's Report

To the Honorable Mayor and Members  
of the City Council  
City of Dearborn, Michigan

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan as of and for the year ended June 30, 2004 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dearborn, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.



To the Honorable Mayor and Members  
of the City Council  
City of Dearborn, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dearborn's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2004, on our consideration of the City of Dearborn's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Plante & Moran, PLLC*

October 15, 2004

This section of the City of Dearborn's annual financial report represents our discussion and analysis of the City's financial performance during the fiscal year that ended June 30, 2004. It should be reviewed in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets (on page 19) and the Statement of Activities (on pages 20 and 21) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 22. These statements tell how services were financed in the short term as well as what remains for future spending for governmental activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

### **Reporting the City as a Whole**

#### **The Statement of Net Assets and the Statement of Activities**

Our analysis of the City as a whole begins on page 19. One of the most important questions asked about the City's finances is: "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets – the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, such as changes in the City's property tax base and the conditions of the City's roads, to assess the overall health of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

Governmental activities – Most of the City's basic services are reported here including police, fire, public works, recreation and the general administration. Property taxes, franchise fees, and state-shared revenues finance most of these activities.

Business-type activities – For these activities, the City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's water and sewer system, golf course, housing, and parking system activities are reported here.

Component units – The City includes four separate legal entities in its report – the East and West Dearborn Downtown Development Authorities, the Brownfield Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them.

### Reporting the City's Most Significant Funds

#### Fund Financial Statements

Our analysis of the City's major funds begins on page 22 and provides detailed information about the most significant funds; not the City as a whole. The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental **activities** (reported in the Government-wide Statement of Net Assets and the Government-wide Statement of Activities) and governmental **funds** in a reconciliation following the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Government-wide Statement of Net Assets and the Government-wide Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements with more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services to the City's other programs and activities. The activity of the internal service funds is eliminated in the government-wide statements to avoid any "doubling up" in reporting revenues and expenses.

### The City as Trustee

#### Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust agreement, can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 34 and 35. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.



# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2004

### The City as a Whole

The following table reflects the condensed Statement of Net Assets compared to prior year:

**Table 1**  
**Net Assets**  
**(in Millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>
Current and other assets	\$ 101.3	\$ 91.6	\$ 56.7	\$ 51.4	\$ 158.0	\$ 143.0
Capital assets	128.5	131.6	139.5	128.5	268.0	260.1
Total assets	229.8	223.2	196.2	179.9	426.0	403.1
Long-term liabilities	41.9	37.8	41.8	30.4	83.7	68.2
Other liabilities	6.3	11.0	9.0	8.0	15.3	19.0
Total liabilities	48.2	48.8	50.8	38.4	99.0	87.2
Net assets:						
Invested in capital assets, net of debt	96.7	97.7	109.6	111.5	206.3	209.2
Restricted	10.1	8.9	15.9	6.5	26.0	15.4
Unrestricted (deficit)	74.8	67.8	19.8	23.5	94.6	91.3
Total net assets	<u>\$ 181.6</u>	<u>\$ 174.4</u>	<u>\$ 145.3</u>	<u>\$ 141.5</u>	<u>\$ 326.9</u>	<u>\$ 315.9</u>

#### Table 1 Comments:

Total Primary Government net assets increased 3.5% or \$11.0 million from \$315.9 million to \$326.9 million. Of this change \$7.2 million is attributable to Governmental Activities and \$3.8 million increase in Business-type Activities.

Governmental Activities total assets increased 3.0% or \$6.6 million from \$223.2 million to \$229.8 million. The most notable change is the increase in current and other assets of \$9.7 million and in net assets, unrestricted of \$7.0 million.

The most significant change in business-type activities is related to capital assets and long-term liabilities which is covered in Table 3 and Table 4, respectively. Restricted net assets are primarily resources associated to the Combined Sewer Overflow Project.

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2004

The following table reflects the condensed Statement of Activities.

**Table 2**  
**Changes in Net Assets**  
**(in Millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 19.2	\$ 18.0	\$ 35.4	\$ 33.1	\$ 54.6	\$ 51.1
Grants	14.1	12.2	2.6	0.5	16.7	12.7
General revenues:						
Taxes	70.7	69.6	-	-	70.7	69.6
Intergovernmental revenue	10.4	11.6	0.1	-	10.5	11.6
Investment earnings	1.1	1.6	0.5	0.8	1.6	2.4
Other general revenues	(0.4)	(0.1)	(1.7)	0.8	(2.1)	0.7
Total revenues	<u>115.1</u>	<u>112.9</u>	<u>36.9</u>	<u>35.2</u>	<u>152.0</u>	<u>148.1</u>
<b>Program expenses</b>						
General government	17.3	18.9	-	-	17.3	18.9
Public safety	43.7	42.0	-	-	43.7	42.0
Public works	18.7	17.8	-	-	18.7	17.8
Health & welfare	0.9	1.0	-	-	0.9	1.0
Recreation & culture	19.5	17.9	-	-	19.5	17.9
Community Improvement	5.0	2.0	-	-	5.0	2.0
Interest on long-term debt	2.0	1.7	-	-	2.0	1.7
Housing	-	-	3.8	3.0	3.8	3.0
Parking	-	-	0.4	0.4	0.4	0.4
Golf Course	-	-	1.5	1.6	1.5	1.6
Sewer	-	-	17.0	15.3	17.0	15.3
Water	-	-	11.2	11.2	11.2	11.2
Total expenses	<u>107.1</u>	<u>101.3</u>	<u>33.9</u>	<u>31.5</u>	<u>141.0</u>	<u>132.8</u>
Excess (deficiency) before special items & transfers	8.0	11.6	3.0	3.7	11.0	15.3
Transfers	(0.8)	(0.6)	0.8	0.6	-	-
<b>Increase (decrease) in net assets</b>	<u>\$ 7.2</u>	<u>\$ 11.0</u>	<u>\$ 3.8</u>	<u>\$ 4.3</u>	<u>\$ 11.0</u>	<u>\$ 15.3</u>

### Table 2 Comments:

Total Primary Government net assets increased \$11.0 million in fiscal year 2004. Governmental Activities total revenues increase minimally at a rate of 1.9%. Governmental Activities total expenses increased 5.7%. The growth of expenses at a rate greater than revenues is an issue of concern and the city is taking action to remedy.

Business-type activities total revenues increased 4.8% and total expenditures increased 7.6%. The expenditure growth is primarily driven by activity in the Sewer Fund.

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2004

### General Fund Budgetary Highlights

Over the course of the year, the Mayor and City Council revised the City budget. The budget is automatically amended with the carry-forward of project-life budgets and for open commitments rolling to the following fiscal year. The budget is also amended by resolution for specific requests, generally for items that were intended to be completed or expended in the previous fiscal year but for some extenuating circumstance were postponed. During the fiscal year, the budget is amended for unanticipated events that could not be foreseen and for opportunities that arose and weren't known previously. Even with these adjustments, the actual charges to appropriations (expenditures) were approximately \$10.9 million below the final budget amount.

### Capital Asset and Debt Administration

#### **Capital Assets**

At the end of fiscal year 2004, the City had approximately \$268 million invested in a broad range of capital assets, including vehicles, police and fire equipment, buildings, park facilities, roads, bridges and water and sewer lines. (See Table 3 below.)

**Table 3**  
**Capital Assets at Year-end**  
**(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
Land	\$ 4,336,569	\$ 5,119,888	\$ 4,528,085	\$ 3,473,415	\$ 8,864,654	\$ 8,593,303
Right-of-ways	37,818	37,818	-	-	37,818	37,818
Construction in progress	1,075,651	3,140,083	59,206,707	52,733,347	60,282,358	55,873,430
Infrastructure assets	33,636,227	32,611,048	-	-	33,636,227	32,611,048
Buildings & improvements	78,566,679	78,416,842	11,069,710	11,574,767	89,636,389	89,991,609
Machinery & equipment	10,791,107	12,316,737	1,250,945	1,292,217	12,042,052	13,608,954
Water system	-	-	36,087,993	34,038,822	36,087,993	34,038,822
Sewer system	-	-	27,337,226	25,400,324	27,337,226	25,400,324
Total	\$ 128,444,051	\$ 131,642,416	\$ 139,480,666	\$ 128,512,892	\$ 267,924,717	\$ 260,155,308

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2004

### Table 3 Comments:

This year's major additions included:

#### Governmental activities:

Land, net asset adjustment	\$ (783,319)
Construction in Progress:	
City Hall chiller replacement (completed project)	(1,788,452)
Camp Dearborn RV site development (completed project)	(401,611)
Infrastructure assets, net increase due to cost less depreciation	1,025,179

#### Business-type activities:

Land:	
Parking Systems net additions	1,054,671

#### Buildings and Improvements:

Water Fund storage building	107,958
-----------------------------	---------

#### Construction in Progress (net change):

Parking Systems	3,043,089
Sewer Fund	2,321,225
Water Fund	1,109,045

Water System additions	2,933,536
Sewer System additions	2,522,796

Additional information on the City of Dearborn's capital assets can be found in Note 3 on pages 55 and 56 of this report.

## Debt

At fiscal 2004 year-end, the City had approximately \$75.2 million in bonds and notes outstanding versus \$64.0 last fiscal year – an increase of 17.4% - as shown in Table 4.

**Table 4**  
**Outstanding Debt, at Year-end**  
**(in Millions)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>	<b>FY2004</b>	<b>FY2003</b>
General obligation bond (backed by City)	\$ 33,611,717	\$ 33,752,890	\$ 14,889,626	\$ 2,970,000	\$ 48,501,343	\$ 36,722,890
Revenue bonds and notes (backed by specific tax and fee revenue)	\$ -	\$ -	\$ 26,723,565	\$ 27,376,520	\$ 26,723,565	\$ 27,376,520
Total	<u>\$ 33,611,717</u>	<u>\$ 33,752,890</u>	<u>\$ 41,613,191</u>	<u>\$ 30,346,520</u>	<u>\$ 75,224,908</u>	<u>\$ 64,099,410</u>

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2004

On February 26, 2004 the City of Dearborn issued \$18,230,000 in Sewage Disposal System Revenue Refunding Bonds, Series 2004 with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to refund \$18,270,000 of outstanding Sewage Disposal System Revenue Bonds, Series 1995B.

On April 23, 2004 the City of Dearborn issued \$8,630,000 in general obligation limited tax bonds with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to advance refund \$8,475,000 of outstanding Municipal Building Authority general obligation unlimited tax bonds.

On June 24, 2004 the City of Dearborn issued \$13,260,000 of Limited Tax General Obligation Bonds, Series A and \$930,000 in Limited Tax General Obligation Bonds, Series B (Taxable) of which \$11,260,000 of the Series A (non-taxable) as well as all \$930,000 of the Series B (taxable) bonds will be used to construct parking decks, renovate existing lots and implement a paid parking system. The remaining \$2,000,000 of Series A (nontaxable) bonds will be used for technology upgrades to various City facilities.

Additional information on the City of Dearborn's long-term debt can be found in Note 4 on pages 57-62 of this report.

### **Fiscal Year 2005 Budgets & Rates**

All fund budgets, as adopted, are balanced and financed by either current estimated revenues or fund equity. The total of the General Fund expenditure budget is \$104,055,775 and the combined expenditure budget for all funds, before the elimination of inter-fund duplicating transfers, is \$187,951,524.

The operating and the garbage and rubbish millage combined rates is equal to the previous fiscal year at 14.75 mills. The November 1996 voted debt millage rate decreased from .54 mills to .52 mills. The net total millage rate is .02 mills less than last fiscal year at 15.27 mills.

The City of Dearborn combined water and sewer rate increased 8.8%. The increase in rates from the City of Detroit and capital infrastructure projects are the drivers of the increase. The Combined Sewer Overflow (CSO) projects and the continued replacement of aging systems may influence rates in the future.

Table of Major Revenue Rates

Description	Fiscal Year 2003-2004	Fiscal Year 2004-2005	Difference
Tax Millage Rate:			
City Operating	13.6275	13.5900	(.0375)
Garbage & Rubbish	1.1225	1.1600	.0375
Debt Service	.5400	.5200	(.0200)
Total Millage Rate	15.2900	15.2700	(.0200)
Water Rate	9.13	8.01	(1.12)
Sewer Rate	18.12	21.81	3.69

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2004

### **Major Capital Initiatives**

The 2004-2005 funding of the Capital Improvement Plan is \$14,176,348. The City is reinvesting in infrastructure and public assets. A classification breakdown follows with some notable projects specifically identified. The projects are supported by various funds including the General Fund via the General Capital Improvement Fund, Community Development Block Grant Fund, Major and Local Street Funds, and the Water and Sewer Funds.

#### Property - \$1,966,148

♦ Industrial Park Development	\$ 500,000
♦ West Dearborn Downtown Redevelopment	500,000
♦ Operation Eyesore	500,000
♦ Camp Dearborn Redevelopment-Phase 2	708,706
♦ Warren Avenue Streetscape	(242,558)

#### Infrastructure - \$9,883,525

♦ Streets	5,666,245
♦ Water	2,464,780
♦ Sewer	1,752,500

#### Facilities - \$1,372,060

♦ Facility Deficiencies	1,000,000
♦ ADA Compliance	150,000
♦ Other Facility Projects	222,060

#### Other - \$954,615

♦ Parking System	67,000
♦ Other and Contingency	887,615

### **Redevelopment**

The City is periodically contacted with requests to identify large parcels of land. It has been difficult to meet the demand and too often opportunities are lost. Underutilized property exists within the City and there are efforts to assemble parcels for development. Some of the property may require environmental remediation to address previous industrial use issues. This strategic effort is speculative and will involve the investment of resources for several years. The demand for property is consistent and the investment is expected to be low-risk, but not expected to yield immediate return. The effort is focused on long-term positioning and not on short-term return. It is very important that underutilized property be reconditioned and returned to its highest applicable use capacity.

There are several other initiatives in progress. Some of these initiatives may need supplemental funding as plans are finalized.

### **General Fund - Estimated Revenues**

The General Fund \$104,055,775 expenditure budget is financed by income of \$99,685,963 and fund balance of \$4,369,812. The use of fund balance is directly related to the state of the economy producing a slightly lower revenue budget from the previous year and ever-present cost increases. Many efforts have been made to control costs and will continue for the coming year. The Mayor and Council agreed that they would continue to take time and make wise decisions.

Property taxes and related sources total \$68,660,564, an increase of \$1,310,753 or 1.98% over the previous year's budget. Property taxes and related sources account for 69% of total General Fund revenues. Ad valorem real property values in comparison to ad valorem personal property values have shifted from a 70/30 mix in the early 1990's to a current 80/20 mix. Personal property was the second largest tax base and is now third. Residential property is the largest taxable property value and has produced the greatest return. Demand is high for residential property, but we must recognize that growth is limited. Residential property equates to 47.1% of the ad valorem property value, which is the highest percentage of any single property classification and up from 38.6% in 1995 with the implementation of Proposal "A". The following paragraphs will cover the State mandated changes that have reduced or limited property tax revenues.

This is the fifth year of the State Tax Commission revised depreciation personal property multiplier tables and again, personal property taxes decreased. Personal property taxable values correspondingly have decreased the past five years as follows: 5.38% for fiscal 2005, 3.91% for fiscal year 2004, 6.26% for fiscal year 2003, 8.9% for fiscal year 2002, and 3.76% for fiscal year 2001. These depreciation tables continue to decrease taxable personal property value in a more rapid fashion than the previously used tables. In other words, this revenue source has experienced large reductions and will continue to decline. The revenue could stabilize if businesses invest in new personal property, which offset the faster depreciation amounts. A good economy hides some of the impact of the new tables, but in a slower economy the results of these new tables is even more evident. The City Assessor contracted for the audit of personal property returns and the outcome produced favorable offsets to the reductions.

The 2.3% real property growth inflation factor for fiscal year 2004 set by Proposal "A" of 1994, limited the growth of the largest property classification. Low mortgage interest rates combined with demand for property provided some relief with the turnover of property resulting in the uncapping of values. The difference between Taxable Value and State Equalized Value multiplied by the current tax rate would yield increased annual tax revenues in excess of \$10,000,000. This property tax limitation law has dramatically affected city revenues.

State Shared Revenue is the next largest single revenue for the General Fund and is estimated at \$9,424,400, which is \$395,600 less than the previous year's budget. State Shared Revenue is exclusively funded by sales tax. Income tax, single business tax, and inventory reimbursements were legislatively discontinued from distribution to local units of government after fiscal years 1997, 1996 and 1999, respectively. The State Constitution limits the sales tax rate to 6% and dedicates taxes levied at the rate of 2% to the state school aid fund. The State Constitution mandates that 15% of total revenues collected from sales taxes levied at a rate of 4% be distributed to townships, cities, and villages. In addition to the constitutional distribution, there is a statutory distribution of sales tax. The State Shared Revenue distribution formula was revised two years ago with an emphasis on population. The new formula is phased in over 10 years. The

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2004

2000 Census figures are a very important component of the calculation for Dearborn. The Dearborn population grew 10% or 8,489, from 89,286 (1990) to 97,775 (2000) per the U.S. Census. The State has not fully funded, by appropriation, the statutory distribution formula and has used these reductions to help balance the State's budget. The current economic downturn resulting in decreased sales tax revenues available for distribution to local governments and the State's decision to not fund distributions per the formula are significant concerns.

Property taxes and Intergovernmental Revenues (mostly State Shared Revenue) account for 79.2% of the General Fund revenue budget. The remaining revenues are important, but not of the same magnitude.

Charges for services are estimated at \$9,757,092, which is a decrease of \$145,011. Licenses and permits are estimated at \$2,670,550, which is a decrease of \$594,900. The primary reasons for the decrease are corrections to rates and fee structures, and adjustments to activity estimates.

Fines and forfeits are estimated at \$2,979,300, which is a decrease of \$290,600. This is mostly revenue associated with the 19<sup>th</sup> District Court and court revenues. The decrease is a result of splitting some of the parking enforcement revenues to the Parking System Funds.

Interest income from investments is estimated at \$756,753, which is a decrease of 21.9% or \$251,647 reflecting the very low interest rate environment. Working capital is expected to remain strong, but the low interest rates limit return. Interest revenue is less than 25% of what it was in fiscal year 1999.

### **General Fund - Expenditure Appropriations**

The adopted fiscal year 2003-2004 expenditure appropriation was \$105,014,031 and the adopted fiscal year 2004-2005 expenditure appropriation is \$104,055,775.

The net decrease is \$958,256 for all operating costs. The table below displays the changes by expenditure classification.

	FY 05 Adopted Budget	FY 04 Adopted Budget	Difference	Percent Change (see note)
Personnel Services	\$76,212,919	\$71,169,082	\$5,043,837	7.1 %
Operating Expenses	16,920,699	18,658,527	(1,737,828)	(9.3) %
Supplies	2,740,244	3,220,378	(480,134)	(14.9) %
Utilities	3,735,500	3,918,500	(183,000)	(4.7) %
Capital Outlay	951,000	1,204,000	(253,000)	(21.0) %
Debt Service	1,727,713	1,784,874	(57,161)	(3.2) %
Transfers Out	4,193,753	7,085,830	(2,892,077)	(40.8) %
Undistributed Appropriations	984,997	1,345,436	(360,439)	(26.8) %
Expenses Allocated Out	(3,411,050)	(3,372,596)	(38,454)	1.1 %
Totals	<u>\$104,055,775</u>	<u>\$105,014,031</u>	<u>(\$958,256)</u>	(0.9) %



### Personnel Services

Salaries, wages and benefits account for 73.2% of the total General Fund budget. The 7.1% increase is the result of increasing benefit costs. Salaries and wages decreased \$2,190,829 or 4.2%. Fifty-three full-time positions were eliminated in the General Fund for this budget year with eighty-nine full-time positions eliminated for a three year city-wide cumulative total. Benefit costs increased \$7,234,666 or 38.7%. The major benefits increase is pension funding at \$6,299,807. Benefits also increased due to the ever increasing health care and post-retirement health care with a combined increase of \$385,684.

### Operating Expense, Supplies & Utilities

City departments have done excellent work at decreasing operating costs. Most departments have reduced staff and are restructuring in varying degrees. Some consultants are being utilized to help position departments for enhanced performance given the reduction in available resources.

### Capital Outlay

Vehicles, equipment, computers, and copiers are paid for on an ongoing basis as part of the operating budget. Money is accumulated or borrowed for replacements. Each department pays an annual amount to cover replacement costs.

The following listing summarizes capital outlay by classification of expenditure.

Library Materials	\$ 670,000
Telephone	\$ 100,000
Data Processing	\$ 80,000
Radio	\$ 57,000
Operating Equipment	\$ 44,000

Resources are allocated for capital in every budget cycle to prevent the deferring of capital reinvestment. The approach consistently applied is to fund asset replacements on an ongoing basis. Typically, there is a schedule of assets with a replacement rotation on a level funding basis or the accumulation of resources for mass replacement. This depends on the type of asset and the best overall approach for the asset type. The Capital Improvement Fund is given an allocation annually for significant capital repairs, replacements, and renovations. An extensive Facilities Study has been performed and the results are being used to prioritize projects. Combining these approaches with preventative maintenance helps to maintain assets in good condition, extend useful life, and manage costs.

### Debt Service

Debt Service represents lease payments to the Building Authority or direct payments for debt service. The Court & Police building payments are \$935,918. The lease for the Powerhouse renovation, the Ford Woods Park reconfiguration and the additional ice surface for the Dearborn Ice Skating Center is \$791,795. When possible, debt is refinanced for lower interest rates.

# City of Dearborn, Michigan

## Management's Discussion & Analysis June 30, 2004

### Transfers out

Transfers out are in support of operating activities or capital projects. The following list represents contributions and purpose.

#### Contribution to:

Designated Purposes	\$ 134,776	Homecoming, Memorial Day, Employee Wellness
Camp Dearborn	\$ 250,000	Support of Operations
Camp Dearborn	\$ 708,706	Support of Capital Investment
Local Streets	\$ 175,000	Support of Capital Investment
Capital Improvement	\$ 2,000,000	Capital project financing
Central Garage	\$ 225,271	Operating Subsidy
Fleet & Gen. Liability	\$ 700,000	Tax Settlement Reserve

### Undistributed appropriations

Undistributed appropriations are comprised of a \$750,000 contingency for the General Fund non-departmental, \$14,000 for the Council Members (\$2,000 each member), and \$220,997 miscellaneous department contingencies. The contingency account is used to budget for risk. Historically, if a department was aware of an event that could occur in the following year, a budget would have been requested for that event. This resulted in many budget items to handle "what if" situations in a single department. All of these "what if" situations are being combined and a lower single number is budgeted to handle some, but not all, of the situations. The expectation is that not all of the events will occur or result in costs.

### Expenses allocated out

Expenses allocated out are the result of services provided directly to other funds, mostly by the Highways Division of Public Works to the Major and Local Street Funds. These are credits to the General Fund and charges to the other funds. Credits will vary depending on projects scheduled, funding levels, and the actual inter-fund activity.

### General Fund - Equity

The fund balance of the General Fund is budgeted to absorb \$4,369,812 per the 2004-2005 adopted budget. Bond rating agencies consider the fund balance as a component in establishing a rating. The City of Dearborn has received good ratings in part due to a healthy financial position. The 2004-2005 budget reflects planned usage of the fund balance in order to provide the time needed to adjust operations in the best possible manner. The departments are continuing to propose adjustments to align appropriations with revenues. The City will continue its historical commitment to good financial condition.

Unexpended "project life" appropriations from the current fiscal year do not lapse at fiscal year end and are committed to the project. In order to prevent the re-budgeting of resources, these budgets, in essence, are reserved. This is a standard practice across all funds.

As a mature community, Dearborn must reinvest in and promote itself to preserve Dearborn as an attractive place to live and work for a wide mix of people from various socio-economic and ethnic groups. As previously mentioned, there are projects planned that will have a long-term beneficial effect on the long-term well being of the community.

### **Future Financial Challenges**

Vision and good planning are necessary to position the City for the future. Proposal "A" of 1994, the Headlee Rollback Amendment, and the "built out" land status all contribute to limiting tax revenue growth. The State's reduction in revenue sharing to municipalities is most unfavorable. Combining these challenges with the impact of the slow economy on other revenues and also causing some expenditures like pension contributions to increase, makes for a very difficult situation. For fiscal year 2006, the Mayor and Council are aware that some continued downsizing will be necessary.

To help offset financial challenges of the future, the City Leaders adopted a redevelopment strategy directed at rejuvenating brownfields and critical areas that will ensure the long-term success of the community. Among the many side benefits will be an improvement to the community in which we live. Also, the Ford Community & Performing Arts Center gives Dearborn a competitive advantage for attracting residents. Combined with other advantages-- good schools, good employers and employment opportunities, proximity to a major airport and many of the major highways, education centers, etc. -- Dearborn is strategically well positioned. However, given the revenue growth restrictions already mentioned, fiscal responsibility and operational effectiveness/efficiencies will need to be primary focuses of every person working at the City.

### **Other Governmental Fund Types**

This section addresses issues concerning other fund types and is not intended to be a detailed review of all these funds. Major and Local Street Funds rely on State Gas & Weight Tax revenue. The FY2005 estimated Gas & Weight Tax revenue budget for both funds combined increased 1.6% or \$101,995 more than FY2004. The funding for the past several years is virtually a no-growth status. The Local Street fund operating transfers-in of \$2.4 million includes \$1.3 million contribution from the Major Street Fund and \$1.0 million from the Community Development Block Grant Fund. Both funds have the financial capacity to maintain and rebuild the roads, as proposed, in the coming fiscal year. If actual revenues fall below budget, some construction work may need to be postponed. The fund balance of the Major Street fund is budgeted to help support the scheduled projects.

The FY2005 budget includes a \$958,706 contribution from the General Fund to the Camp Dearborn Operating Fund. This includes \$250,000 for an operating subsidy and \$708,706 for capital investment. The Capital Improvement Plan includes capital support for Camp for the next couple years. The Camp is being modernized with amenities that include full-service RV sites. Once completed, the Camp revenues are expected to cover operating costs.

The combined grant revenue stream from the Community Development Block Grant Fund and the Home Weatherization Fund is projected to be \$2,777,118, which is \$249,817 less than FY2004.

The November 1996 voted Civic Center Unlimited Tax General Obligation Bonds for \$23,860,000 were issued June 11, 1998. The tax millage rate for fiscal year 2004-2005 is .52 mills for debt service to pay the principal and interest payments on these bonds. This rate decreased .02 mills from last year.

The General Capital Improvement Fund is primarily financed by contributions from other funds.

### **Proprietary Fund Types**

#### **Parking System**

The East and West Dearborn Parking System Funds are merged and reported as a single fund for financial reporting. These funds account for the operations and capital projects of the parking systems. These funds are budgeted to be self-supporting in all respects, with the West Dearborn Parking System implementing user paid parking in fiscal year 2005. The \$20,580,863 projected net assets is the result of debt financed parking improvements including 2 decks that will be depreciated over time. The liquid net assets are expected to be sufficient for working capital only.

#### **Housing**

The Seniors Apartment Operating Fund is budgeted to contribute \$171,355 to net assets. The working capital and equity of the fund are both financially healthy. The Dearborn Towers Fund is budgeted to contribute \$44,195 of net assets for capital projects. This fund has sufficient operating working capital, but lacks resources for major capital re-investment in the facility.

#### **Golf Course**

The operation continues to be successful and is an independent going concern. The course is accessed primarily by US24, which was reconstructed last season. All debt payments and liabilities are paid by the income from operations.

#### **Utility Funds**

Water rates and sewer rates are set by ordinance and the budget revenue estimates are based on the assumptions listed in the table earlier in this memorandum. The revenues support operations, maintenance, and system replacements. The funds are operating on a "pay as you go basis" and are not building much excess reserves. However, the City Engineer has established a target infrastructure investment amount for each system and efforts are being made to fund the capital projects at this level.

The first phase of the Federally mandated Combined Sewer Overflow project has been designed and is out for bid. The State Revolving Fund approved a \$90 million dollar low-interest loan for the City of Dearborn. A ballot proposal seeking voter approval for a debt service millage on the August 2004 ballot passed.

#### **Central Garage**

The Central Garage Fund receives money for services provided to other funds and therefore does not build up much in reserves. Working capital is sometimes low, but the fund maintains a positive position. The long-term financial operational target is to breakeven, while maintaining the fleet.

The budget includes funding of vehicle and equipment replacement reserves. The funding is used to purchase replacement equipment in the coming year. In addition, there is funding accumulating for future asset replacements. This funding, combined with the sales or scrap value of retired assets, will be used to acquire replacements at the optimum point in the assets' life cycles. The intention is not to fully fund the replacement of all assets, but to fund at a level to be able to replace assets based on a predetermined schedule.

### **Insurance Funds**

These funds are all in good financial condition in relation to their purpose. The ever-increasing cost of health care makes it difficult to build up resources in the Post Retirement Health Care fund for funding the long-term retiree health care liability. The City is better positioned than most and will implement Governmental Accounting Standards Board pronouncements as scheduled for fiscal year 2007. The fund is healthy and performing to purpose, but it would be growing faster if the increases in the cost of health care costs were not so substantial every year.

### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Department of Finance at the City of Dearborn, 4500 Maple, Dearborn, MI 48126.

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# City of Dearborn, Michigan

## Government Wide Statement of Net Assets June 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 8,218,617	\$ 2,272,663	\$ 10,491,280	\$ 934,776
Investments (Note 2)	72,959,860	19,843,985	92,803,845	3,507,128
Accounts Receivable (Net)	2,157,131	4,934,121	7,091,252	-
Unbilled accounts receivable	-	2,366,483	2,366,483	-
Property taxes receivable	850,484	-	850,484	20,058
Interest and penalties on taxes	159,699	-	159,699	-
Accrued interest receivable	527,237	188,124	715,361	25,735
Special assessments receivable	69,639	-	69,639	-
Internal balances	640,777	(640,777)	-	-
Due from other governments	5,226,436	298,719	5,525,155	-
Prepaid items	2,011,904	145,537	2,157,441	-
Inventories	5,775,727	374,813	6,150,540	-
Total current assets	98,597,511	29,783,668	128,381,179	4,487,697
Noncurrent assets:				
Advance to other funds	764,388	(764,388)	-	-
Restricted cash and investments	1,986,728	27,655,701	29,642,429	-
Capital assets, not being depreciated (Note 3)	5,450,038	63,734,792	69,184,830	-
Capital assets, net of depreciation (Note 3)	122,994,013	75,745,874	198,739,887	-
Total noncurrent assets	131,195,167	166,371,979	297,567,146	-
Total assets	229,792,678	196,155,647	425,948,325	4,487,697
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	2,427,932	7,742,770	10,170,702	450
Accrued interest payable	167,659	458,553	626,212	-
Accrued liabilities	798,735	73,940	872,675	-
Deposits/refunds payable	2,915,323	285,918	3,201,241	-
Due to other governments	520	398,136	398,656	-
Deferred revenue	-	31,777	31,777	-
Total current liabilities	6,310,169	8,991,094	15,301,263	450
Noncurrent liabilities:				
Claims payable	4,566,893	-	4,566,893	-
Other liabilities	-	-	-	-
Long-term debt:				
Due within one year (Note 4)	3,334,880	2,391,709	5,726,589	-
Due in more than one year (Note 4)	33,967,886	39,449,159	73,417,045	246,000
Total noncurrent liabilities	41,869,659	41,840,868	83,710,527	246,000
Total liabilities	48,179,828	50,831,962	99,011,790	246,450
<b>Net Assets</b>				
Invested in capital assets, net of related debt	96,668,519	109,651,802	206,320,321	-
Restricted for:				
Capital projects	4,512,767	12,426,930	16,939,697	-
Debt service	325,862	3,444,444	3,770,306	-
Projects, roads and other	5,274,498	-	5,274,498	-
Unrestricted	74,831,204	19,800,509	94,631,713	4,241,247
Total net assets	\$ 181,612,850	\$ 145,323,685	\$ 326,936,535	\$ 4,241,247

See Notes to Financial Statements.

# City of Dearborn, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 17,310,436	\$ 3,337,927	\$ 207,871	\$ 1,032,222
Public safety	43,694,680	7,573,247	557,334	-
Public works	18,699,976	1,936,530	6,925,422	1,302,425
Health and welfare	910,537	193,905	2,500	-
Recreation and culture	19,441,507	6,160,059	920,395	36,078
Community improvement	5,002,834	19,708	1,292,101	1,813,127
Interest on long-term debt	2,015,054	-	-	-
Total governmental activities	<u>107,075,024</u>	<u>19,221,376</u>	<u>9,905,623</u>	<u>4,183,852</u>
Business-type activities:				
Housing	3,849,819	3,128,263	-	-
Golf Course	1,542,704	1,303,327	-	-
Parking	407,820	383,650	-	2,556,992
Sewer	16,964,560	18,442,613	23,775	-
Water	11,158,986	12,115,556	-	-
Total business-type activities	<u>33,923,889</u>	<u>35,373,409</u>	<u>23,775</u>	<u>2,556,992</u>
Total primary government	<u>\$ 140,998,913</u>	<u>\$ 54,594,785</u>	<u>\$ 9,929,398</u>	<u>\$ 6,740,844</u>
Component units:				
West Dearborn Downtown Development Authority	\$ 1,862,486	\$ -	\$ -	\$ -
East Dearborn Downtown Development Authority	105,519	-	-	-
Brownfield Redevelopment Authority	-	-	-	-
Economic Development Corporation	106,608	-	-	-
Total component units	<u>\$ 2,074,613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Taxes				
Intergovernmental revenues				
Unrestricted franchise fees				
Investment earnings				
Gain (loss) on sale of capital assets				
Miscellaneous				
Special items - loss on abandoned assets				
Transfers				
Total general revenues, special items and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				

See Notes to Financial Statements.



**Government Wide Statement of Activities**  
**Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (12,732,416)	\$ -	\$ (12,732,416)	\$ -
(35,564,099)	-	(35,564,099)	-
(8,535,599)	-	(8,535,599)	-
(714,132)	-	(714,132)	-
(12,324,975)	-	(12,324,975)	-
(1,877,898)	-	(1,877,898)	-
(2,015,054)	-	(2,015,054)	-
<u>(73,764,173)</u>	<u>-</u>	<u>(73,764,173)</u>	<u>-</u>
-	(721,556)	(721,556)	-
-	(239,377)	(239,377)	-
-	2,532,822	2,532,822	-
-	1,501,828	1,501,828	-
-	956,570	956,570	-
<u>-</u>	<u>4,030,287</u>	<u>4,030,287</u>	<u>-</u>
<u>(73,764,173)</u>	<u>4,030,287</u>	<u>(69,733,886)</u>	<u>-</u>
-	-	-	(1,862,486)
-	-	-	(105,519)
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,608)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,074,613)</u>
70,714,812	-	70,714,812	1,141,794
10,362,606	102,836	10,465,442	-
69,158	-	69,158	-
1,071,777	519,669	1,591,446	61,791
(773,009)	-	(773,009)	-
301,058	138,351	439,409	49,074
	(1,830,000)		
<u>(803,364)</u>	<u>803,364</u>	<u>-</u>	<u>-</u>
<u>80,943,038</u>	<u>(265,780)</u>	<u>82,507,258</u>	<u>1,252,659</u>
7,178,865	3,764,507	10,943,372	(821,954)
174,433,985	141,559,178	315,993,163	5,063,201
<u>\$ 181,612,850</u>	<u>\$ 145,323,685</u>	<u>\$ 326,936,535</u>	<u>\$ 4,241,247</u>

See Notes to Financial Statements.

# City of Dearborn, Michigan

## Balance Sheet Governmental Funds June 30, 2004

	General	Capital Projects	Other Governmental Funds (See page 89)	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 3,953,758	\$ 1,221,507	\$ 1,711,837	\$ 6,887,102
Investments	35,108,086	11,836,046	13,906,552	60,850,684
Accounts Receivable (Net)	1,857,878	214	225,559	2,083,651
Property taxes receivable	824,446	-	26,038	850,484
Interest and penalties on taxes	159,699	-	-	159,699
Accrued interest receivable	253,684	85,487	100,292	439,463
Special assessments receivable	69,639	-	-	69,639
Due from other funds (Note 5)	1,432,664	162,180	128,967	1,723,811
Due from other governments	3,726,233	-	1,500,203	5,226,436
Prepaid items	971,878	-	9,113	980,991
Inventories	3,127	5,554,908	2,318	5,560,353
Advance to other funds	1,379,519	-	-	1,379,519
Restricted cash and investments - Construction	-	1,838	-	1,838
Total assets	<u>\$ 49,740,611</u>	<u>\$ 18,862,180</u>	<u>\$ 17,610,879</u>	<u>\$ 86,213,670</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 1,533,130	\$ 112,394	\$ 628,050	\$ 2,273,574
Accrued liabilities	686,058	-	165,816	851,874
Deposits/refunds payable	2,630,034	-	285,289	2,915,323
Due to other governments	200	-	320	520
Due to other funds	205,183	74,482	463,620	743,285
Deferred revenue	1,442,038	-	89,408	1,531,446
Claims payable	-	-	28,206	28,206
Advance from other funds	-	615,131	-	615,131
Total liabilities	<u>6,496,643</u>	<u>802,007</u>	<u>1,660,709</u>	<u>8,959,359</u>
Fund balances:				
Reserve for prepaid items	971,878	-	9,113	980,991
Reserve for encumbrances	2,392,448	4,512,767	5,265,385	12,170,600
Reserve for budgeted appropriations	6,439,714	11,322,013	7,316,219	25,077,946
Reserve for noncurrent collection of advances to other funds	1,379,519	-	-	1,379,519
Unreserved, reported in:				
General fund	32,060,409	-	-	32,060,409
Special revenue funds	-	-	3,033,591	3,033,591
Debt service fund	-	-	325,862	325,862
Capital projects fund	-	2,225,393	-	2,225,393
Total fund balances	<u>43,243,968</u>	<u>18,060,173</u>	<u>15,950,170</u>	<u>77,254,311</u>
Total liabilities and fund balances	<u>\$ 49,740,611</u>	<u>\$ 18,862,180</u>	<u>\$ 17,610,879</u>	<u>\$ 86,213,670</u>

See Notes to Financial Statements.

# City of Dearborn, Michigan

## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2004

Total fund balance for governmental funds \$ 77,254,311

Amounts reported for governmental activities in the  
statement of net assets are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Cost of assets, not depreciated	5,450,038	
Cost of assets, depreciated	185,485,787	
Accumulated depreciation	<u>(68,843,963)</u>	
Total adjustment due to capital assets		122,091,862
2. Some receivables are expected to be collected over several years and are not available to pay for current year expenditures		1,531,446
3. Other assets used in governmental activities are financial resources and therefore are not reported in the governmental funds - inventory		57,025
4. Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds		
Accrued interest payable	(143,815)	
Noncurrent liabilities, due in one year	(3,200,000)	
Noncurrent liabilities, due in more than one year	<u>(32,019,794)</u>	
Total adjustment due to long-term liabilities		(35,363,609)
5. Internal service funds are included as part of governmental activities		<u>16,041,815</u>
Net assets of governmental activities		<u>\$ 181,612,850</u>

# City of Dearborn, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2004

	General	Capital Projects	Other Governmental Funds (See page 91)	Total Governmental Funds
<b>Revenues</b>				
Taxes, assessments and penalties on taxes	\$ 68,856,321	\$ -	\$ 2,369,155	\$ 71,225,476
Licenses and permits	3,012,402	-	-	3,012,402
Intergovernmental revenues:				
State sources	10,646,778	154,308	7,342,988	18,144,074
Federal sources	335,188	325,509	3,540,314	4,201,011
Other sources	158,521	-	-	158,521
Charges for services	9,528,001	-	382,065	9,910,066
Fines and forfeits	3,133,166	-	588,977	3,722,143
Rents and royalties	3,173,624	-	1,687,106	4,860,730
Miscellaneous revenue	1,665,988	29,155	84,273	1,779,416
Private source contributions	-	132,000	263,049	395,049
Investment income	838,052	38,922	194,042	1,071,016
Total revenues	<u>101,348,041</u>	<u>679,894</u>	<u>16,451,969</u>	<u>118,479,904</u>
<b>Expenditures</b>				
General government	17,051,939	-	85,998	17,137,937
Public safety	39,806,474	-	403,494	40,209,968
Public works	10,958,092	-	8,794,431	19,752,523
Health and welfare	896,133	-	2,504	898,637
Recreation and culture	13,465,065	-	2,254,397	15,719,462
Community improvement	747,664	1,969,365	1,300,767	4,017,796
Utilities	3,574,671	-	266,019	3,840,690
Capital outlay	875,849	2,475,436	768,843	4,120,128
Debt service:				
Principal	-	1,015,000	1,450,000	2,465,000
Interest and fiscal charges	-	769,948	1,072,128	1,842,076
Total expenditures	<u>87,375,887</u>	<u>6,229,749</u>	<u>16,398,581</u>	<u>110,004,217</u>
<b>Revenues Over (Under) Expenditures</b>	13,972,154	(5,549,855)	53,388	8,475,687
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	-	-	8,630,000	8,630,000
Payment to refunded bond escrow agent	-	-	(8,475,000)	(8,475,000)
Operating transfers in	317,045	7,159,321	4,160,549	11,636,915
Operating transfers out	(9,203,658)	(308,889)	(3,799,512)	(13,312,059)
Total other financing sources (uses)	<u>(8,886,613)</u>	<u>6,850,432</u>	<u>516,037</u>	<u>(1,520,144)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	5,085,541	1,300,577	569,425	6,955,543
<b>Fund Balances - Beginning</b>	<u>38,158,427</u>	<u>16,759,596</u>	<u>15,380,745</u>	<u>70,298,768</u>
<b>Fund Balances - Ending</b>	<u>\$ 43,243,968</u>	<u>\$ 18,060,173</u>	<u>\$ 15,950,170</u>	<u>\$ 77,254,311</u>

See Notes to Financial Statements.

# City of Dearborn, Michigan

## Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended June 30, 2004

Net change in fund balance - Total Governmental Funds \$ 6,955,543

Amounts reported for governmental activities in the statement  
of activities are different because:

1. Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is depreciated over their estimated useful lives  
and recorded as depreciation expense. This is the amount  
by which depreciation expense exceeded capital outlay. (2,747,510)
  2. Revenues are recorded in the statement of activities when  
the revenue is earned; they are not reported in the funds until  
collected or collectable within 60 days of the year end (361,022)
  3. Governmental funds report inventories as expenditures when  
purchased; however in the statement of activities, the cost  
of those assets is expensed when used (60,625)
  4. Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the  
statement of net assets:  
Bonds payable 2,465,000  
Net proceeds from debt refunding (155,000)  
Interest payable (172,978)
  5. Some expenses reported in the statement of activities do not  
require the use of current financial resources and therefore are  
not reported as expenditures in governmental funds:  
Compensated absences 382,846
  6. Internal service funds are included as part of governmental activities 872,611
- Change in net assets of governmental activities \$ 7,178,865

# City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			Other Enterprise Funds (See page 104)
	Parking System Funds	Sewer	Water	
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 270,250	\$ 929,590	\$ 440,102	\$ 632,721
Investments	2,619,019	6,677,718	4,262,163	6,285,085
Accounts Receivable (Net)	320,633	99,553	4,513,935	-
Unbilled accounts receivable	-	1,730,818	635,665	-
Accrued interest receivable	20,873	92,619	30,782	43,850
Due from other governments	-	13,729	284,927	63
Due from other funds	2,573	-	-	-
Prepaid items	-	13,533	42,348	89,656
Inventories	-	-	313,635	61,178
Total current assets	<u>3,233,348</u>	<u>9,557,560</u>	<u>10,523,557</u>	<u>7,112,553</u>
Noncurrent assets:				
Restricted cash and investments:				
Construction and equipment	11,784,327	12,426,930	-	-
Debt service	31,088	3,272,654	-	140,702
Capital assets (Net)	<u>7,445,199</u>	<u>79,675,648</u>	<u>42,930,477</u>	<u>9,429,342</u>
Total noncurrent assets	<u>19,260,614</u>	<u>95,375,232</u>	<u>42,930,477</u>	<u>9,570,044</u>
Total assets	<u>22,493,962</u>	<u>104,932,792</u>	<u>53,454,034</u>	<u>16,682,597</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	1,127,594	3,556,741	2,967,331	91,104
Accrued interest payable	152,913	281,605	-	24,035
Accrued liabilities	-	22,678	19,700	31,562
Deposits/refunds payable	-	-	13,833	272,085
Due to other governments	-	392,772	-	5,364
Due to other funds	343,350	300,000	-	-
Deferred revenue	-	-	-	31,777
Current portion of long-term debt	<u>411,765</u>	<u>1,790,000</u>	<u>-</u>	<u>175,000</u>
Total current liabilities	<u>2,035,622</u>	<u>6,343,796</u>	<u>3,000,864</u>	<u>630,927</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	11,656,362	24,933,564	-	2,646,500
Other liabilities	-	10,684	120,386	96,607
Advance from other funds	621,000	-	-	143,388
Claims payable	-	-	-	-
Total noncurrent liabilities	<u>12,277,362</u>	<u>24,944,248</u>	<u>120,386</u>	<u>2,886,495</u>
Total liabilities	<u>14,312,984</u>	<u>31,288,044</u>	<u>3,121,250</u>	<u>3,517,422</u>
<b>Net Assets</b>				
Invested in capital assets, net of debt	7,161,399	52,952,084	42,930,477	6,607,842
Restricted for:				
Construction	-	12,426,930	-	-
Debt service	31,088	3,272,654	-	140,702
Unrestricted	<u>988,491</u>	<u>4,993,080</u>	<u>7,402,307</u>	<u>6,416,631</u>
Total net assets	<u>\$ 8,180,978</u>	<u>\$ 73,644,748</u>	<u>\$ 50,332,784</u>	<u>\$ 13,165,175</u>

See Notes to Financial Statements.

**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2004**

	Governmental Activities - Internal Service Funds (See page 108)
<u>Total</u>	
\$ 2,272,663	\$ 1,331,515
19,843,985	12,109,176
4,934,121	7,883
2,366,483	-
188,124	87,774
298,719	-
2,573	363,445
145,537	1,030,913
374,813	158,349
<u>30,427,018</u>	<u>15,089,055</u>
24,211,257	1,984,890
3,444,444	-
<u>139,480,666</u>	<u>6,352,189</u>
<u>167,136,367</u>	<u>8,337,079</u>
<u>197,563,385</u>	<u>23,426,134</u>
7,742,770	154,358
458,553	23,844
73,940	8,506
285,918	-
398,136	-
643,350	637,597
31,777	-
<u>2,376,765</u>	<u>73,235</u>
<u>12,011,209</u>	<u>897,540</u>
39,236,426	1,906,765
227,677	41,327
764,388	-
-	4,538,687
<u>40,228,491</u>	<u>6,486,779</u>
<u>52,239,700</u>	<u>7,384,319</u>
109,651,802	6,352,189
12,426,930	-
3,444,444	-
19,800,509	9,689,626
<u>\$ 145,323,685</u>	<u>\$ 16,041,815</u>

See Notes to Financial Statements.

# City of Dearborn, Michigan

	Business-type Activities Enterprise Funds			Other Enterprise Funds (See page 105)
	Parking System Funds	Sewer	Water	
<b>Operating Revenues</b>				
Intergovernment revenue:				
Federal	\$ -	\$ 6,906	\$ 16,128	\$ 2,121
State	-	47,038	-	-
County	-	30,643	-	-
Sales	-	15,041,609	7,382,322	580,287
Charges for services	383,650	3,401,004	3,988,900	1,308,075
Penalties	-	-	744,334	-
Rents and royalties	-	-	-	2,543,228
Insurance premiums	-	-	-	-
Miscellaneous	-	5,293	14,335	118,723
Total operating revenues	<u>383,650</u>	<u>18,532,493</u>	<u>12,146,019</u>	<u>4,552,434</u>
<b>Operating Expenses</b>				
Personnel services	-	768,694	2,630,574	1,944,879
Contractual services	25,859	1,489,638	1,293,866	289,864
Insurance and bonds	-	6,500	8,000	143,045
Insurance benefits	-	-	-	-
Claims and judgments	-	-	-	-
Utilities	-	182,110	5,859	463,088
Repairs and maintenance	2,936	340,165	11,791	1,355,783
Supplies	343,348	53,276	514,131	135,364
Cost of sales	-	11,835,150	5,623,388	148,523
Cost of rentals	-	2,178	-	56,097
Taxes	-	-	-	78,688
Depreciation	35,677	797,679	1,039,239	519,555
Other	-	330,694	32,138	86,122
Total operating expenses	<u>407,820</u>	<u>15,806,084</u>	<u>11,158,986</u>	<u>5,221,008</u>
<b>Operating Income (Loss)</b>	(24,170)	2,726,409	987,033	(668,574)
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	27,935	308,793	94,197	88,744
Contributions	2,556,992	23,775	-	-
Other interest	-	(1,158,476)	-	(171,515)
Other expense	-	-	-	-
Total nonoperating revenues (expenses)	<u>2,584,927</u>	<u>(825,908)</u>	<u>94,197</u>	<u>(82,771)</u>
<b>Income (Loss) before Transfers</b>	2,560,757	1,900,501	1,081,230	(751,345)
<b>Operating Transfers</b>				
Operating transfers in	-	16,872	883,999	-
Operating transfers out	-	(64,339)	(33,168)	-
Net operating transfers	<u>-</u>	<u>(47,467)</u>	<u>850,831</u>	<u>-</u>
<b>Net Income (Loss)</b>	2,560,757	1,853,034	1,932,061	(751,345)
<b>Loss on abandoned assets</b>	-	(1,830,000)	-	-
<b>Change in net assets</b>	2,560,757	23,034	1,932,061	(751,345)
<b>Net Assets - Beginning of Year</b>	5,620,221	73,621,714	48,400,723	13,916,520
<b>Net Assets - End of Year</b>	<u>\$ 8,180,978</u>	<u>\$ 73,644,748</u>	<u>\$ 50,332,784</u>	<u>\$ 13,165,175</u>

See Notes to Financial Statements.



**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2004**

Total	Governmental Activities - Internal Service Funds (See page 109)
\$ 25,155	\$ 1,145
47,038	-
30,643	-
23,004,218	-
9,081,629	2,694,441
744,334	-
2,543,228	1,970,898
-	2,735,731
138,351	2,544,236
<u>35,614,596</u>	<u>9,946,451</u>
5,344,147	-
3,099,227	1,155,699
157,545	1,135,754
-	76,414
-	2,464,610
651,057	-
1,710,675	-
1,046,119	-
17,607,061	3,837,342
58,275	-
78,688	-
2,392,150	1,351,133
448,954	55,638
<u>32,593,898</u>	<u>10,076,590</u>
3,020,698	(130,139)
519,669	159,568
2,580,767	-
(1,329,991)	(18,955)
-	(9,643)
<u>1,770,445</u>	<u>130,970</u>
4,791,143	831
900,871	871,780
(97,507)	-
<u>803,364</u>	<u>871,780</u>
5,594,507	872,611
(1,830,000)	-
3,764,507	872,611
141,559,178	15,169,204
<u>\$ 145,323,685</u>	<u>\$ 16,041,815</u>

See Notes to Financial Statements.

# City of Dearborn, Michigan

	Parking System Funds
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 501,368
Payments to suppliers	449,634
Payments to employees	-
Internal activity	(73,083)
Claims paid	-
Other receipts (payments)	-
Net cash provided (used) by operating activities	<u>877,919</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Operating transfers in	-
Operating transfers out	-
Net cash provided (used) by noncapital financing activities	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Grants and contributions received	2,556,992
Principal received on debt	12,068,127
Prepaid interest on debt	-
Advance from (to) other funds	621,000
Principal paid on debt	-
Acquisition and construction of capital assets	(4,097,760)
Interest paid on debt	152,913
Net cash provided (used) by capital and related financing activities	<u>11,301,272</u>
<b>Cash Flows from Investing Activities</b>	
Net sale (purchase) of investments	(12,376,133)
Investment income	19,982
Net cash provided (used) by investing activities	<u>(12,356,151)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(176,960)
<b>Cash and Cash Equivalents - Beginning of Year</b>	447,210
<b>Cash and Cash Equivalents - End of Year</b>	<u><u>\$ 270,250</u></u>

Included in the Sewer Fund is a noncash transaction in the amount of \$1,830,000 due to the abandonment of assets. See Note 12 for further information.

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2004**

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 106)	Total	Governmental Activities - Internal Service Funds (See page 111)
Sewer	Water			
\$ 18,396,129	\$ 12,242,108	\$ 4,488,190	\$ 35,627,795	\$ 9,456,901
(14,620,696)	(6,345,852)	(2,815,584)	(23,332,498)	(5,080,711)
(812,170)	(2,652,324)	(1,944,488)	(5,408,982)	(1,231,968)
1,393,308	(12,950)	(3,080)	1,304,195	(291,254)
-	-	-	-	(967,562)
(240,814)	(1,675)	32,601	(209,888)	(1,707,559)
<u>4,115,757</u>	<u>3,229,307</u>	<u>(242,361)</u>	<u>7,980,622</u>	<u>177,847</u>
16,872	883,999	-	900,871	871,780
(64,339)	(33,168)	-	(97,507)	-
<u>(47,467)</u>	<u>850,831</u>	<u>-</u>	<u>803,364</u>	<u>871,780</u>
23,775	-	-	2,580,767	-
-	-	-	12,068,127	1,980,000
-	-	-	-	23,844
-	-	(35,534)	585,466	-
(652,956)	-	(148,500)	(801,456)	-
(6,704,127)	(4,380,000)	(8,037)	(15,189,924)	(900,278)
(1,172,360)	-	(172,719)	(1,192,166)	-
<u>(8,505,668)</u>	<u>(4,380,000)</u>	<u>(364,790)</u>	<u>(1,949,186)</u>	<u>1,103,566</u>
3,292,630	(226,024)	(143,706)	(9,453,233)	(3,370,588)
304,317	88,750	83,366	496,415	137,657
<u>3,596,947</u>	<u>(137,274)</u>	<u>(60,340)</u>	<u>(8,956,818)</u>	<u>(3,232,931)</u>
(840,431)	(437,136)	(667,491)	(2,122,018)	(1,079,738)
1,770,021	877,238	1,300,212	4,394,681	2,411,253
<u>\$ 929,590</u>	<u>\$ 440,102</u>	<u>\$ 632,721</u>	<u>\$ 2,272,663</u>	<u>\$ 1,331,515</u>

See Notes to Financial Statements.

# City of Dearborn, Michigan

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Parking  
System  
Funds

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**Reconciliation of Operating Income (Loss) to Net Cash Provided  
(Used) by Operating Activities:**

Operating income (loss)	\$ (24,170)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	35,677
Change in assets and liabilities:	
Accounts receivable	117,718
Due from other funds	(2,573)
Due from other governments	-
Prepaid items	-
Inventories	-
Accounts payable	821,777
Accrued liabilities	-
Customer deposits	-
Accrued vacation and sick leave	-
Due to other funds	(70,510)
Due to other governments	-
Claims payable	-
Deferred revenue	-
Net cash provided (used) by operating activities	<u><u>\$ 877,919</u></u>

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2004**

Business-type Activities Enterprise Funds		Other Enterprise Funds (See page 107)	Total	Governmental Activities - Internal Service Funds (See page 113)
Sewer	Water			
\$ 2,726,409	\$ 987,033	\$ (668,574)	\$ 3,020,698	\$ (158,737)
797,679	1,039,238	519,556	2,392,150	1,351,133
(552,331)	35,300	28,530	(370,783)	19,526
1,098,766	1,100	-	1,097,293	(127,222)
505,847	98,252	(63)	604,036	-
(3,167)	(16,687)	(2,829)	(22,683)	(1,021,369)
-	27,653	(5,575)	22,078	(12,699)
(891,544)	1,160,399	(99,413)	991,219	(157,474)
(24,055)	(60,181)	(37,759)	(121,995)	(28,895)
-	(7,000)	29,451	22,451	-
(43,476)	(21,750)	391	(64,835)	(5,552)
294,542	(14,050)	(3,080)	206,902	(464,032)
207,087	-	443	207,530	1,203,117
-	-	-	-	(419,949)
-	-	(3,439)	(3,439)	-
<u>\$ 4,115,757</u>	<u>\$ 3,229,307</u>	<u>\$ (242,361)</u>	<u>\$ 7,980,622</u>	<u>\$ 177,847</u>

See Notes to Financial Statements.

# City of Dearborn, Michigan

## Statement of Net Assets Fiduciary Funds June 30, 2004

	Pension & Other Employee Benefits	Agency Trust Funds
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 790,324	\$ 1,099,145
Investments - short-term	10,597,207	2,330,305
Accounts Receivable (Net)	1,394,559	195,212
Accrued interest receivable	227,738	16,830
Due from other funds	-	3,572
Total current assets	<u>13,009,828</u>	<u>3,645,064</u>
Noncurrent assets - Investments:		
Corporate bonds (long-term)	162,086,363	-
Common stock	23,078,730	-
Collateral pledged on securities loaned	9,746,003	-
Real estate properties	9,702,775	-
Commingled and mutual funds	160,149,341	-
Limited partnerships	2,514,829	-
Total noncurrent assets	<u>367,278,041</u>	<u>-</u>
Total assets	<u>380,287,869</u>	<u>\$ 3,645,064</u>
<b>Liabilities</b>		
Accounts payable	1,493,837	\$ 1,035,064
Deposits/refunds payable	-	1,262,260
Due to other funds	-	65,597
Due to other governments	-	1,133,967
Deferred revenue	98,786	-
Securities loaned	9,746,003	-
Other liabilities	-	148,176
Total liabilities	<u>11,338,626</u>	<u>\$ 3,645,064</u>
<b>Net Assets</b>		
Held in trust for pension benefits and other purposes	<u>\$ 368,949,243</u>	

See Notes to Financial Statements.

# City of Dearborn, Michigan

## Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2004

	Pension & Other Employee Benefits
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 8,521,558
Net increase in value of investments	36,654,221
Net investment income	45,175,779
Contributions:	
Employer	9,533,875
Employee	1,115,067
Total contributions	10,648,942
Total additions	55,824,721
<b>Deductions</b>	
Benefit payments	25,531,937
Refunds of contributions	655,316
Administrative expenses	740,634
Total deductions	26,927,887
<b>Net Assets - Beginning of Year</b>	340,052,409
<b>Net Assets - End of Year</b>	\$ 368,949,243

# City of Dearborn, Michigan

	West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority
<b>Assets</b>			
Cash and cash equivalents	\$ 158,959	\$ 202,745	\$ 188
Investments - Short-term	1,540,482	1,964,820	1,826
Property taxes receivable	2,987	17,071	-
Accrued interest receivable	11,125	14,190	14
Due from other governments	-	-	-
Total assets	<u>1,713,553</u>	<u>2,198,826</u>	<u>2,028</u>
<b>Liabilities</b>			
Accounts payable	-	450	-
Noncurrent liabilities:			
Due in more than one year	-	-	246,000
Total liabilities	<u>-</u>	<u>450</u>	<u>246,000</u>
<b>Net Assets - Unrestricted</b>	<u>\$ 1,713,553</u>	<u>\$ 2,198,376</u>	<u>\$ (243,972)</u>



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**Statement of Net Assets**  
**Component Units**  
**June 30, 2004**

Economic Development Corporation	Total
\$ 572,884	\$ 934,776
-	3,507,128
-	20,058
406	25,735
-	-
<u>573,290</u>	<u>4,487,697</u>
-	450
-	246,000
<u>-</u>	<u>246,450</u>
<u>\$ 573,290</u>	<u>\$ 4,241,247</u>

See Notes to Financial Statements.

# City of Dearborn, Michigan

		Program Revenues	
	Expenses	Charges for Services	Operating Grants and Contributions
<b>West Dearborn Development Authority -</b>			
Community improvement	\$ 1,862,486	\$ -	\$ -
<b>East Dearborn Development Authority -</b>			
Community improvement	105,519	-	-
<b>Brownfield Redevelopment Authority -</b>			
Community improvement	-	-	-
<b>Economic Development Corporation -</b>			
Community improvement	106,608	-	-
Total component units	<u>\$ 2,074,613</u>	<u>\$ -</u>	<u>\$ -</u>

## General revenues:

Taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

**Statement of Activities**  
**Component Units**  
**Year Ended June 30, 2004**

Net (Expense) Revenue and Changes in Net Assets				
West Dearborn Downtown Development Authority	East Dearborn Downtown Development Authority	Brownfield Redevelopment Authority	Economic Development Corporation	Total
\$ (1,862,486)	\$ -	\$ -	\$ -	\$ (1,862,486)
-	(105,519)	-	-	(105,519)
-	-	-	-	-
-	-	-	(106,608)	(106,608)
<u>(1,862,486)</u>	<u>(105,519)</u>	<u>-</u>	<u>(106,608)</u>	<u>(2,074,613)</u>
557,363	584,431		-	1,141,794
34,759	21,510	25	5,497	61,791
149	-	48,925	-	49,074
<u>592,271</u>	<u>605,941</u>	<u>48,950</u>	<u>5,497</u>	<u>1,252,659</u>
(1,270,215)	500,422	48,950	(101,111)	(821,954)
2,983,768	1,697,954	(292,922)	674,401	5,063,201
<u>\$ 1,713,553</u>	<u>\$ 2,198,376</u>	<u>\$ (243,972)</u>	<u>\$ 573,290</u>	<u>\$ 4,241,247</u>

See Notes to Financial Statements.

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### Note 1 – Summary of Significant Accounting Policies

The City of Dearborn, Michigan (the City) was incorporated in 1929 under Michigan law as a home rule city. The City operates under a strong mayor, weak council form of government. The most recent charter was adopted November 3, 1979 and was effective July 1, 1980.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are not applied in the preparation of the financial statement of the business-type activities and enterprise funds in accordance with GASB Statement #20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." Below is a summary of the City's more significant policies.

#### A. Reporting Entity

The City is governed by an elected seven-member Council. As required by generally accepted accounting principles, these financial statements present the City of Dearborn and its component units.

#### Blended Component Units

The individual component units discussed below are included in the City's reporting entity because of the significance of their operating or financial relationships with the City.

##### **19th District Court**

As a unit of the State of Michigan, the 19<sup>th</sup> District Court is a legally separate entity, but Michigan law provides that the costs of district courts be funded directly by local governments designated as a court's district control unit. Therefore, the 19<sup>th</sup> District Court's budget is approved by the City's Council. The City of Dearborn's General Fund reports the costs of operating the 19<sup>th</sup> District Court including the fines and fees it collects and remits to the City of Dearborn.

All fines and fees collected on behalf of the State of Michigan are reported in an agency fund of the City due to their fiduciary nature.

## Note 1 – Summary of Significant Accounting Policies (Continued)

### **City of Dearborn Municipal Building Authority**

This authority was formed for purposes of constructing public facilities financed through issuance of Building Authority bonds as provided by PA 31 of 1948 and it provides services exclusively for the City of Dearborn. The Building Authority Board is appointed by the Mayor. Issuance of bonds and related lease contracts are subject to approval of the City Council (see Note 4).

Building Authority operations consist of the issuance of debt, construction or acquisition of facilities financed by such debt, and the repayment of such debt from lease proceeds. All of this is accounted for in the appropriate City funds. The financial statements of the Building Authority are consolidated with the financial statements of the City in a manner dependent on the type of facilities acquired. The City is involved in the purchase by lease contract of improvements to the Robert Herndon Dearborn Hills Municipal Golf Course, the Police/Court Building, the Ice Arena, Powerhouse and Ford Woods Park redevelopment from the Building Authority. The golf course operations are accounted for within the Enterprise Funds (Golf Course Fund). Improvements to the Police/Court building, Ice Arena, Powerhouse and Ford Woods Park redevelopment are accounted for within the General Capital Improvement Fund.

### **Discretely Presented Units**

The following component units are discretely presented in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

### **Brownfield Redevelopment Authority (BRA)**

The Brownfield Redevelopment Authority was created to account for the redevelopment of environmentally contaminated and other under-utilized sites within the City. The Authority's governing body consists of the Mayor and six (6) individuals appointed by the Mayor. The City Council must approve the BRA Budget.

### **The Economic Development Corporation of Dearborn (EDC)**

The EDC's purpose is to encourage economic development, primarily through the issuance of tax-exempt financing. Although the City has no involvement in the determination of the EDC budget nor any obligation for the EDC's outstanding debt, City Council must approve designation of project areas and must approve each project plan.

### **East Dearborn Downtown Development Authority (EDDA)**

The EDDA was formed to encourage development within the City's eastern central business district. The City has no obligation for the EDDA's outstanding debt. The City Council must approve the EDDA's budget.

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### West Dearborn Downtown Development Authority (WDDA)

The WDDA was formed to encourage development within the City's western central business district. The City has no obligation for the WDDA's outstanding debt. The City Council must approve the WDDA's budget.

Financial statements for the discretely presented component units are available during office hours at the City of Dearborn, Economic and Community Development Department, 13615 Michigan Avenue, Dearborn, MI 48126.

### **B. Basic Financial Statements**

The basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's public safety, public works, recreation and general administrative services are classified as governmental activities. The City's water and sewer services, parking systems and the municipal golf course are classified as business-type activities.

#### **Government-wide Financial Statements**

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (public safety, public works, etc.). The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (public safety, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Government-wide Financial Statements

The City does not allocate indirect costs. An administrative fee is charged by the General Fund to the other operating funds to recover the direct costs of General Fund services provided (finance, human resources, purchasing, legal, management information systems, etc.). The effect of this fee and all other internal activity has been eliminated from the government-wide financial statements.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

#### Basic Financial Statements—Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

##### **Governmental Funds**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

**General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

**Capital Projects Fund** – The City has one capital project fund which is a major fund. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

##### **Proprietary Funds**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector.



### Note 1 – Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and service. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized a nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The following is a description of the proprietary funds of the City:

**Enterprise Funds** – Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The government reports the following major enterprise funds:

Parking Systems Funds – These funds account for construction and operation of two separate parking systems.

Water Fund – This fund accounts for operation of the City's water supply system. Purified water is purchased from the Detroit Water and Sewage Department.

Sewer Fund – This fund accounts for operation of the City's sewerage system. Sewage treatment is purchased from the Detroit Water and Sewage Department.

**Internal Service Funds** – Internal Service Funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis. Internal Service Funds include equipment replacement, central garage, workers' compensation, employee insurance and fleet and general liability insurance.

#### **Fiduciary Funds**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. Fiduciary funds include (closed) general employees, (open) revised police and fire and the (closed) policemen's and firemen's retirement system funds. In addition, the City has retiree death benefit and post retirement healthcare fiduciary funds.

### **Note 1 – Summary of Significant Accounting Policies (Continued)**

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Non-major funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (public safety, public works, etc.).

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and other employee benefits and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

### **C. Measurement Focus and Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### **Accrual**

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

#### **Modified Accrual**

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (within 60 days of the next fiscal year). Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

### **Note 1 – Summary of Significant Accounting Policies (Continued)**

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue and charges for services. Sales taxes collected and held by the state at year-end on behalf of the government also are recognized as revenue. Fines, permits and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes are billed and become a lien on July 1 of the following year. The taxes are due on August 31 with the final collection date of February 28 before they are added to the county tax rolls.

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

### **D. Budgetary Accounting and Accountability**

The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law. Budgets are adopted for all governmental and proprietary funds.

Appropriations in the General Fund are controlled at the department level. Expenditures for all other governmental funds are controlled at the fund level. While the legislative budget is adopted at summary levels, administrative control is maintained at detail levels. Management may amend the budget at the detail level within summary constraints. During the fiscal year, it was necessary to make budget amendments.

The City maintains budgetary control through the use of a full encumbrance system. For budgetary purposes, appropriations lapse at fiscal year-end, except for the portion related to encumbered amounts and those amounts approved for carry forward by the City Council.

Budget to actual statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

- Encumbrances are included as expenditures.
- Project life re-appropriations to the following fiscal year are reported as appropriated reserve carry-forward.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the Major Governmental Funds is presented as Required Supplementary Information.

### **Note 1 – Summary of Significant Accounting Policies (Continued)**

#### **Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

The negative unreserved fund balance in the community development fund and the home weatherization fund is a result of open encumbrances. Grant revenues will be recognized in future periods when these encumbrances are expended.

#### **E. Financial Statement Amounts**

##### **Cash and Investments**

Investments are reported at fair value, based on quoted market prices. Short-term investments and certificates of deposit are purchased with pooled cash and are generally held to maturity. Cash is pooled in two pools based on investment requirements, one for short term and one for intermediate term. Interest is allocated on the basis of time-and-dollar-weighted participation in each pool.

The purchase and sale of proprietary fund investments have been netted for cash flow purposes as the nature of the investments is highly liquid because there is an active market readily available.

##### **Accounts Receivable**

The unbilled accounts receivable in the Enterprise Funds were for unbilled consumption of water and sewer as of June 30, 2004.

The allowance for uncollectibles in the General Fund is established for potentially uncollectible ambulance billings. Most city service billings, if not paid, are assessed as a lien against the serviced property.

##### **Inventories**

Inventories are recorded at the lower of cost or market, cost being the weighted average method with the exception of the Enterprise Funds' inventories, which are recorded on the first-in, first-out basis.

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Restricted Assets

The revenue bonds of the Enterprise and Internal Service Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, equipment purchases and a bond reserve. Also, the unspent bond proceeds of the Capital Projects Funds require amounts to be set aside for construction. These amounts have been classified as restricted assets.

#### Capital Assets

Capital assets purchased or acquired with an original cost of \$2,500 or more are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all qualifying assets is provided on the straight-line basis over the assets' estimated useful lives over the following useful lives:

• Buildings and improvements	25-50 years
• Water & sewer systems	75 years
• Motor vehicles, furniture, machinery & equipment	5-15 years
• Library books	10 years
• Roads, bridges and sidewalks	15-40 years

The City has a collection of art work presented for public exhibition and education that is being preserved for future generations. The collection is not capitalized or depreciated as part of capital assets.

#### Prepays

Prepays are payments made in the current fiscal year for services in the next fiscal year. The July medical and dental premium payments were made in June.

#### Compensated Absences

The City accrues vested or accumulated sick and vacation leave when earned by the employee. The non-current portion (that is the amount not expected to be liquidated with expendable available financial resources) for governmental funds is maintained separately and represents a reconciling item between fund and government-wide presentations.

### **Note 1 – Summary of Significant Accounting Policies (Continued)**

#### **Property Taxes**

The City property tax is levied each July 1 on the taxable value of property located in the City as of the preceding December 31; taxes become a lien on December 1. Taxable valuations are established annually by the City Assessor and are based on assessed valuations (established at 50 percent of true cash value), with the annual growth of each property's taxable value limited by inflation. Real and personal property in the City subject to the 2003 levy that financed operations for the fiscal year ended June 30, 2004 was valued at \$4,630,771,287, which is 50 percent of true cash value. The City millage for the fiscal year ended June 30, 2004 was 15.29 mills, consisting of 13.6275 mills operating, 1.1225 mills for garbage and rubbish and .54 mills for debt service. The City was legally empowered, by Section 13.2 of the City Charter and P.A. 298 of 1917, as amended, to levy up to 18.00 mills for fiscal year ended June 30, 2004 before rollbacks required by Michigan law. The maximum potential millage for the fiscal year ended June 30, 2004 was 16.3530 mills after applicable rollbacks.

Taxes are payable without penalty in four equal installments due August 20, and every two months thereafter with the final installment due February 20. They become delinquent if unpaid by March 1. Real property taxes are returned to the Wayne County Treasurer for collection. The City Treasurer is responsible for collection of personal property taxes. The amounts of delinquent real property taxes become available to finance expenditures through operation of a County Tax Revolving Fund. Ordinarily, the City receives proceeds from the revolving fund within 60 days of fiscal year end. Delinquent personal property taxes and associated penalties not collected within 60 days of fiscal year end are recorded as deferred revenue.

#### **Unrestricted Franchise Fees**

Unrestricted franchise fees represent revenues generated from parties outside the City's citizenry (primarily the cable and cellular system operators) that are not restricted to any specific program.

#### **Expenditures**

Expenditures in governmental funds are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

#### **Interfund Activity**

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

### Note 1 – Summary of Significant Accounting Policies (Continued)

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to financial statements.

### Note 2 –Deposits and Investments

Cash and cash equivalents are defined as demand deposits, money markets and short-term investments (primarily certificates of deposit) with a maturity date within three months of the date acquired by the City.

The City's deposits and investments at June 30, 2004 are included on the basic financial statements under the following classifications:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and Cash Equivalents	\$ 8,218,617	\$ 2,272,663	\$ 1,889,469	\$ 12,380,749	\$ 934,776
Investments	72,959,860	19,843,985	380,205,553	473,009,398	3,507,128
Restricted Assets	1,986,728	27,655,701	-	29,642,429	-
Total	<u>\$ 83,165,205</u>	<u>\$ 49,772,349</u>	<u>\$ 382,095,022</u>	<u>\$ 515,032,576</u>	<u>\$ 4,441,904</u>

	Primary Government	Component Units
Bank deposits (check and savings accounts, certificates of deposit)	\$ 82,036,972	\$ 2,442,036
Investments in securities, mutual funds and similar vehicles	432,769,643	1,999,868
Petty cash and cash on hand	225,961	-
Total	<u>\$ 515,032,576</u>	<u>\$ 4,441,904</u>

### Note 2 –Deposits and Investments (Continued)

#### Deposits

At year end, the carrying amount of the City's deposits was \$82,036,972 and the bank balance was \$85,048,582. Of the bank balance, \$803,802 was covered by federal depository insurance or by collateral held by the City's agent in the City's name, and \$82,244,780 was uninsured and uncollateralized. Of the \$82,244,780 uninsured and uncollateralized bank balance, approximately 94 percent was for certificates of deposit. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

The Component Units cash includes \$2,442,036 of deposits (\$2,442,036 reflected in the accounts of the bank). All of the bank balance of \$2,442,036 was uninsured and uncollateralized. Of the \$2,442,036 uninsured and uncollateralized balance, approximately 100 percent was for certificates of deposit.

#### Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury, U.S. government agencies and instrumentalities, commercial paper rated within the three highest classifications established by two standard rating services, bankers' acceptances, repurchase agreements, reverse repurchase agreements, mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan, and investment pools of financial institutions. The City does not engage in reverse repurchase agreements. It does not engage in repurchase agreements without a master repurchase agreement and delivery of collateral to a third-party custodian.

The Pension Trust Fund is also authorized by Michigan Public Act 55 of 1982 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations and certain other specified investment vehicles.

State statutes and the System's board policies permit the System to use investments of the plan to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The System's securities custodians are agents in lending the plans' securities for cash collateral of at least 100 percent of the market value of the loaned securities. Securities on loan at year end are presented as noncategorized in the balance sheet presentation of custodial credit risk. At year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System. Contracts with the lending agents require them to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the System for income distributions by the securities' issuers while the securities are on loan.



### Note 2 –Deposits and Investments (Continued)

The City's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the City's name.

	Category			Carrying Amount (Fair Value)
	1	2	3	
U.S. government securities	\$ 11,162,409	\$ -	\$ 64,910,124	\$ 76,072,533
Commercial paper	-	-	35,330,468	35,330,468
Corporate bonds	-	-	33,510,696	33,510,696
Common stock	-	-	14,591,286	14,591,286
Total	<u>\$ 11,162,409</u>	<u>\$ -</u>	<u>\$ 148,342,574</u>	159,504,983
Short-term investment pool				30,161,135
Real estate properties				12,843,747
Commingled and mutual funds				220,513,775
Collateral pledged on securities loaned				<u>9,746,003</u>
Total investments				<u>\$ 432,769,643</u>

	Category			Carrying Amount (Fair Value)
	1	2	3	
Component Units				
Commercial Paper	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,393,866</u>	\$ 1,393,866
Short-term investment pool				<u>606,002</u>
Total investments - component units				<u>\$ 1,999,868</u>

Due to higher cash flows at certain times during the year, the City's investment in commercial paper increased significantly. As a result, the amounts that were in Category 3 at those times were substantially higher than at year-end.

### Note 2 –Deposits and Investments (Continued)

Included in the City's investments at June 30, 2004 are the following:

- U.S. Treasury strips of approximately \$441,000. The strips represent the purchase of the principal portion of United States Treasury notes. Similar to a zero coupon bond, it is purchased at a discount (which represents the future interest earnings of the instrument). The discount is amortized over the remaining maturity of the instrument. There is no prepayment risk associated with this instrument, as the U.S. government is not allowed to call it early. Purchase of this strip allows the City to lock in favorable interest rates for the term of the security.
- Approximately \$391,000 of securities issued by the Government National Mortgage Association (GNMA). These investments are backed by the full faith and credit of the U.S. government. The yields provided by these securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Approximately \$24,552,000 of collateralized mortgage obligations. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Asset-backed securities of approximately \$6,339,000. These securities are backed by credit card, auto and utility receivables. These obligations typically include credit enhancements in the form of overcollateralization, third-party letters of credit, seller recourse, insurance company guarantees and/or senior subordinated structures. These securities are generally considered to offer modest credit risk, but such risk varies depending on the type of asset being securitized and the extent and nature of the credit enhancement. Prepayments for these "pay through" securities could result in difficulty reinvesting the prepaid amounts in investments with comparable yields.

The mutual funds are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares.

### Note 3 – Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

#### Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	\$ 5,119,888	\$ -	\$ (783,319)	\$ 4,336,569
Right of ways	37,818	-	-	37,818
Construction in progress	3,140,083	642,800	(2,707,232)	1,075,651
Total capital assets not being depreciated	8,297,789	642,800	(3,490,551)	5,450,038
Other capital assets:				
Buildings & improvements	107,478,272	2,731,192	(168,000)	110,041,464
Equipment	30,485,101	1,377,327	(1,493,456)	30,368,972
Infrastructure assets	48,752,032	2,675,507	-	51,427,539
Subtotal	186,715,405	6,784,026	(1,661,456)	191,837,975
Accumulated depreciation:				
Buildings & improvements	29,061,431	2,510,067	(96,713)	31,474,785
Equipment	18,168,364	2,881,857	(1,472,356)	19,577,865
Infrastructure assets	16,140,984	1,650,328	-	17,791,312
Subtotal	63,370,779	7,042,252	(1,569,069)	68,843,962
Net other capital assets	123,344,626	(258,226)	(92,387)	122,994,013
Net capital assets	\$ 131,642,415	\$ 384,574	\$ (3,582,938)	\$ 128,444,051

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$ 690,787
Public safety	1,702,678
Public works	2,389,641
Health & welfare	12,195
Recreation & culture	2,245,257
Community improvement	1,694
Total governmental activities depreciation expense	\$ 7,042,252

### Note 3 – Capital Assets (Continued)

#### Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Assets not being depreciated:				
Land	\$ 3,473,415	\$ 1,054,670	\$ -	\$ 4,528,085
Construction in progress	52,733,347	13,867,649	(7,394,289)	59,206,707
Total capital assets not being depreciated	56,206,762	14,922,319	(7,394,289)	63,734,792
Other capital assets:				
Land improvements	4,946,637	-	-	4,946,637
Buildings	16,828,465	107,958	-	16,936,423
Equipment	2,765,451	267,605	(58,501)	2,974,555
Water system	66,789,952	2,933,535	(133,926)	69,589,561
Sewer system	47,801,475	2,522,796	(178,102)	50,146,169
Subtotal	139,131,980	5,831,894	(370,529)	144,593,345
Accumulated depreciation:				
Land improvements	2,154,996	240,129	-	2,395,125
Buildings	8,045,339	372,886	-	8,418,225
Equipment	1,473,234	286,197	(35,821)	1,723,610
Water system	32,751,130	883,901	(133,463)	33,501,568
Sewer system	22,401,151	580,513	(172,721)	22,808,943
Subtotal	66,825,850	2,363,626	(342,005)	68,847,471
Net other capital assets	72,306,130	3,468,268	(28,524)	75,745,874
Net capital assets	\$ 128,512,892	\$ 18,390,587	\$ (7,422,813)	\$ 139,480,666

Depreciation was charged to functions as follows:

#### Business-type activities:

Parking System	\$ 35,677
Housing	246,725
Golf Course	792,299
Sewer	1,016,095
Water	272,830

Total business-type activities depreciation expense \$ 2,363,626

### Note 4 – Long-term Debt

#### Outstanding Debt

The following is a summary of the debt outstanding of the City as of June 30, 2004:

	Principal Outstanding	
	Governmental Activities	Business-type Activities
Municipal Building Authority General Obligation Limited Tax Bonds, 3.65% to 5.25%, dated March 18, 1998	\$ 6,327,376	\$ -
Civic Center Facility General Obligation Unlimited Tax Bonds, 4.2% to 6.2%, dated June 11, 1998	16,575,000	
2004 General Obligation Limited Tax Refunding Bonds 2.00% to 4.00%, dated April 23, 2004	8,729,341	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable) 2.75% to 4.55%, dated June 24, 2004	1,980,000	
2004 Capital Improvement General Obligation Limited Tax Bonds, Series A (Non-taxable) 2.75% to 4.55%, dated June 24, 2004		11,147,400
2004 Capital Improvement General Obligation Limited Tax Bonds, Series B (Taxable) 5.90% to 6.00%, dated June 24, 2004		920,726
Sewage Disposal System Revenue Bonds, 2%, dated February 9, 1990		1,550,000
Sewage Disposal System Revenue Bonds, 2%, dated September 29, 1994		1,340,000
Sewage Disposal System Revenue Refunding Bonds, 2.0% to 4.0%, dated February 17, 2004		17,993,565
Sewage Disposal System Revenue Bonds, 2.25%, dated September 28, 1995		75,000
Sewage Disposal System Revenue Bonds, 2.5%, dated March 28, 2002		5,765,000
Municipal Building Authority General Obligation Limited Tax Bonds, 3.65% to 5.25%, dated March 1, 1998 (less \$196,305 for deferred charge on refunding)		2,821,500
Subtotal	33,611,717	41,613,191
Accumulated sick and vacation benefits	3,629,404	227,677
Total	\$ 37,241,121	\$ 41,840,868

### Note 4 – Long-term Debt (Continued)

By statute, the City's general obligation debt is restricted to 10 percent of the equalized value of all property in the City. At June 30, 2004, the City's general obligation debt margin amounted to approximately \$425,000,000.

#### Changes in Long-term Debt

The following is a summary of long-term debt transactions of the City for the year ended June 30, 2004:

##### Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 33,752,890	\$ 10,709,341	\$ (10,850,514)	\$ 33,611,717	\$ 2,703,235
Other liabilities - Compensated absences	4,017,802	154,324	(481,077)	3,691,049	631,645
Total governmental activities	<u>\$ 37,770,692</u>	<u>\$ 10,863,665</u>	<u>\$ (11,331,591)</u>	<u>\$ 37,302,766</u>	<u>\$ 3,334,880</u>

##### Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds & notes payable - General obligation bonds	\$ 2,970,000	\$ 12,190,000	\$ (270,374)	\$ 14,889,626	\$ 586,765
Revenue bonds	27,376,520	19,330,169	(19,983,124)	26,723,565	1,790,000
Subtotal	30,346,520	31,520,169	(20,253,498)	41,613,191	2,376,765
Other liabilities - Compensated absences	292,512	2,151	(66,986)	227,677	14,944
Total business-type activities	<u>\$ 30,639,032</u>	<u>\$ 31,522,320</u>	<u>\$ (20,320,484)</u>	<u>\$ 41,840,868</u>	<u>\$ 2,391,709</u>

Compensated absences have historically been liquidated through the fund associated with the employees' function.

### Note 4 – Long-term Debt (Continued)

#### Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2004 (excluding sick and vacation benefits), including both principal and interest, are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 2,713,701	\$ 1,451,445	\$ 2,332,338	\$ 1,496,745
2006	2,850,971	1,311,865	2,485,141	1,345,068
2007	3,099,835	1,202,204	3,206,361	1,284,515
2008	3,225,322	1,076,111	3,285,982	1,196,671
2009	3,273,608	942,009	2,912,804	1,099,800
2010-2014	16,080,277	2,435,394	15,218,711	4,059,415
2015-2019	2,368,003	198,973	10,721,854	1,239,209
2020-2023	-	-	1,450,000	91,526
Total	<u>\$ 33,611,717</u>	<u>\$ 8,618,001</u>	<u>\$ 41,613,191</u>	<u>\$ 11,812,949</u>

#### Description of Long-term Debt

##### Primary Government

On March 18, 1998, the City of Dearborn Municipal Building Authority issued \$11,975,000 of General Obligation Limited Tax Bonds. These 18-year bonds have interest rates that range from 3.65 percent to 5.25 percent. The City is obligated to pay interest commencing November 1, 1998 and semiannually thereafter. The first principal payment was due November 1, 1998 and will continue to be due annually November 1 through 2016. A total of \$8,500,000 of the bond proceeds was used to finance the cost of expansion and renovation of Adray Ice Arena, Ford Woods Park and the Cultural Center HVAC Powerhouse. The remaining \$3,475,000 is being used to refund \$3,140,000 of the \$3,653,100 outstanding City of Dearborn Municipal Building Authority Golf Course Limited Tax General Obligation Bonds. Those proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Golf Course Limited Tax General Obligation Bonds. As a result, at June 30, 2004, \$2,850,000 of bonds are considered to be defeased and the liability for the bonds have been removed from the Enterprise Funds balance sheet.

On June 11, 1998, the City of Dearborn issued \$23,860,000 of General Obligation Unlimited Tax Bonds to finance the expansion and renovation of the Civic Center. These 15-year bonds have interest rates that range from 4.2 percent to 6.2 percent. The City is obligated to pay interest commencing December 1, 1998 and semiannually thereafter. The first principal payment was due June 1, 1999 and will continue to be due annually June 1 through 2013.

### Note 4 – Long-term Debt (Continued)

On November 15, 1995, the City of Dearborn Municipal Building Authority issued \$12,000,000 of General Obligation Limited Tax Bonds to finance the cost of expansion and renovation of the police station and court facility. These 20-year bonds have interest rates that range from 5.0 percent to 7.0 percent. The City is obligated to pay interest commencing June 1, 1996 and semiannually thereafter. The first principal payment was due June 1, 1997 and will continue to be due annually June 1 through 2016.

On April 23, 2004 the City of Dearborn issued \$8,630,000 in general obligation limited tax bonds with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to advance refund \$8,475,000 of outstanding Municipal Building Authority general obligation unlimited tax bonds. The net proceeds of \$8,766,702 (net of underwriting fees, insurance and issuance costs) were used to purchase U.S. Treasury Securities. Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on June 1, 2004. The advance refunding reduces total debt service payments over the next 12 years by approximately \$512,500 which represents an economic gain of approximately \$435,000.

On June 24, 2004 the City of Dearborn issued \$13,260,000 of Limited Tax General Obligation Bonds, Series A and \$930,000 in Limited Tax General Obligation Bonds, Series B (Taxable) for the purpose of paying for the cost of acquiring, constructing, installing and equipping certain capital and technology improvements. \$11,260,000 of the Series A (non-taxable) as well as all \$930,000 of the Series B (taxable) bonds will be used to construct parking decks, renovate existing lots and implement a paid parking system. The remaining \$2,000,000 of Series A (nontaxable) bonds will be used for technology upgrades to various City facilities. These 15-year bonds have interest rates that range from 2.75% to 4.55% for the non taxable and 5.9% to 6.00% for the taxable bonds. The City is obligated to pay interest commencing December 1, 2004 and semiannually thereafter. The first principal payment is due on June 1, 2005 and will continue through June 2019.

On February 9, 1990, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue and the Michigan Municipal Bond Authority would purchase, up to \$4,015,000 in principal of Sewage Disposal System Revenue Bonds, Series 1990 (General Obligation Limited Tax) for the construction of the Greenfield Road Sewage Pumping Station.

On September 29, 1994, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$2,080,000 in principal of Sewage Disposal System Revenue Bonds, Series 1994 (General Obligation Limited Tax) for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel. The City is obligated to pay interest at 2 percent per annum commencing April 1, 1995 and semiannually thereafter. The first principal payment was due April 1, 1997 and will continue to be due April 1 through 2016.



### Note 4 – Long-term Debt (Continued)

On June 22, 1995, the City of Dearborn issued \$26,750,000 of Sewage Disposal System Revenue Bonds, Series 1995A to finance the City's portion of costs for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel project. These 20-year bonds have interest rates that range from 5.125 percent to 7.0 percent. The City is obligated to pay interest commencing October 1, 1995 and semiannually thereafter. The first principal payment was due April 1, 1997 and will continue to be due April 1 through 2016. Principal and interest are payable from the net revenues of the system.

On February 26, 2004 the City of Dearborn issued \$18,230,000 in Sewage Disposal System Revenue Refunding Bonds, Series 2004 with interest rates that range from 2.0% to 4.0%. The proceeds from these bonds were used to refund \$18,270,000 of outstanding Sewage Disposal System Revenue Bonds, Series 1995A. The proceeds were used to purchase U.S. Certificates of Indebtedness – State and Local Government Securities (SLGS). Those securities were deposited into an irrevocable trust with an escrow agent and subsequently used to pay off the bonds, including a call premium, on April 1, 2004. The advance refunding reduces total debt service payments over the next 13 years by approximately \$1,927,000 which represents an economic gain of approximately \$1,580,000.

In conjunction with the Sewage Disposal System Revenue Refunding Bonds, Series 2004, the City has covenanted and agreed to set, maintain and revise, from time to time, rates that will maintain net revenues of the system, sufficient to provide for payment of principal and interest on bonds and for the payment of expenses of administration and operation and such expenses for maintenance of the system as are necessary to preserve the same in good repair and working order, to maintain the bond reserve, if any, and to provide for any other expenditures as are required by the sewer ordinances. In addition, it has covenanted and agreed to set, maintain and revise rates from time to time and at least annually so that there shall be produced in each fiscal year net revenues in an amount not less than 120 percent of the aggregate principal and interest on bonds coming due in each fiscal year.

On September 28, 1995, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$137,374 in principal of Sewage Disposal System Revenue Bonds, Series 1995B (General Obligation Limited Tax) for the construction of the Combined Sewer Overflow/Retention Treatment Tunnel. The City is obligated to pay interest at 2.25 percent per annum commencing April 1, 1998 and semiannually thereafter. The first principal payment was due April 1, 1998 and will continue to be due April 1 through 2016.

On March 28, 2002, the City of Dearborn and the Michigan Municipal Bond Authority entered into an agreement whereby the City of Dearborn would issue, and the Michigan Municipal Bond Authority would purchase, up to \$6,000,000 in principal of Sewage Disposal System Revenue Bonds, Series 2002 (General Obligation Limited Tax) for the construction of the Miller Road Sewage Pump Station. The City is obligated to pay interest at 2.50 percent per annum commencing on October 1, 2002 and semiannually thereafter. The first principal payment was due April 1, 2004 and will continue to be due April 1 through 2023.

### Note 4 – Long-term Debt (Continued)

#### Component Unit

On June 20, 2000, the State of Michigan Department of Environmental Quality issued a Revitalization Revolving Loan Agreement for revitalization of the Sharon Steel Corporation Property. A loan of \$294,925 was received by the Brownfield Redevelopment Authority on August 15, 2000. The terms of the agreement are that interest is calculated on the unpaid balance at a rate of two and one quarter percent (2 ¼%) per year. Interest shall be charged beginning five (5) years from June 20, 2000 and until such time as outstanding principal and interest is paid in full. The loan can be repaid by the Authority without interest at any time prior to June 20, 2005.

The annual debt service requirements of the outstanding note payable as of June 30, 2004, including both principal and interest, are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Total*</u>
2005	<u>\$246,000</u>

\* Based on the likely repayment schedule anticipated by the Authority.

### Note 5 - Interfund Receivables and Payables

The following balances at June 30, 2004 represent interfund receivables and payables:

Receivables Fund	Payable Fund	Amount
<b>Due from/to Other Funds</b>		
General	General Capital Improvement	\$ 74,482
	Parking System	343,350
	Nonmajor governmental funds	375,583
	Internal service funds	637,597
	Fiduciary trust and agency funds	1,652
	Total General Fund	<u>1,432,664</u>
General Capital Improvement	General	162,180
Nonmajor governmental funds	General	40,430
	Nonmajor governmental funds	88,037
	Fiduciary trust and agency funds	500
	Total Nonmajor governmental funds	<u>128,967</u>
Parking System	General	2,573
Internal service funds	Sewer	300,000
	Fiduciary trust and agency funds	63,445
	Total Nonmajor governmental funds	<u>363,445</u>
	<b>Total</b>	<u><u>\$ 2,089,829</u></u>
<b>Advances from/to Other Funds</b>		
General	General Capital Improvement	\$ 615,131
	Parking System	621,000
	Golf Course	143,388
	<b>Total</b>	<u><u>\$ 1,379,519</u></u>

### Note 5 - Interfund Receivables and Payables (Continued)

The advances to other funds include the following:

- The balance of \$615,131 due to the general fund from the general capital improvement fund resulted from a loan to establish working capital for the passenger rail station project; the balance will be collected as grant monies are received.
- The balance of \$621,000 due to the general fund from the parking system resulted from a loan for construction draws prior to the issuance of bonds in June, 2004; the entire balance is scheduled to be repaid in the first quarter of the subsequent year.
- The balance of \$143,388 due to the general fund from the golf course fund resulted from loans to construct the golf course's club house and to finance maintenance equipment; \$32,721 of the balance is scheduled to be collected in the subsequent year.

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

### Note 6 - Interfund Transfers

The following amounts for the year ended June 30, 2004 represent interfund transfers in and out:

Transferred In Fund	Transferred Out Fund	Amount
General	Nonmajor governmental funds	\$ 16,779
	General Capital Improvement	300,266
	Total General	317,045
General Capital Improvement	General	6,784,948
	General Capital Improvement	8,623
	Nonmajor governmental funds	268,243
	Sewer	64,339
	Water	33,168
	Total General Capital Improvement	7,159,321
Nonmajor governmental funds	General	1,546,930
	Nonmajor governmental funds	2,613,619
	Total Nonmajor governmental funds	4,160,549
Sewer	Nonmajor governmental funds	16,872
Water	Nonmajor governmental funds	883,999
Internal service funds	General	871,780
	<b>Total</b>	<b>\$ 13,409,566</b>

### Note 6 - Interfund Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the funds that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2004, the City made a transfer in the amount of \$6,784,948 from the general fund to the general capital improvement fund. Of this amount, \$5,000,000 was to finance various capital projects.

### Note 7 – Pension Plans

#### Plan Description

The City is the administrator of three single-employer defined benefit plans as follows:

(Closed) Policemen's and Firemen's Retirement System	Chapter 21
(Closed) General Employees' Retirement System	Chapter 22
(Open) Police and Fire Retirement System	Chapter 23

The plans, which cover all full-time employees of the City not covered by the defined contribution plan, provide retirement, disability and death benefits to plan members and their beneficiaries. The plans may be amended by negotiations with the City's competitive bargaining units. The plans do not issue separate financial reports.

At June 30, 2003, the date of the most recent actuarial valuation, membership consisted of the following:

	(Closed) General Employees	(Open) Police and Fire	(Closed) Policemen's and Firemen's
Retirees and beneficiaries currently receiving benefits	560	215	149
Terminated employees entitled to benefits but not yet receiving tem	65	6	
Current active employees	485	316	

### Note 7 – Pension Plans (Continued)

#### Contributions

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are recorded at fair value. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the systems for these employees was established by negotiations with the City's competitive bargaining units and requires a contribution from police and fire employees participating in the (Open) Police and Fire Retirement System of 5 percent of covered wages. General employees participating in the General Employees' Retirement System do not pay into their pension system.

#### Annual Pension Cost

For the year ended June 30, 2004, the City's annual pension cost of \$976,931 for the three plans was equal to the City's required and actual contributions. The annual required contribution was determined as part of an actuarial valuation at June 30, 2002, using the entry age cost method. Significant actuarial assumptions used include (a) a 7.00 percent investment rate of return and (b) projected salary increases of 4.5 percent to 7.7 percent per year, depending on the system. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period for Chapter 21, 22 and 23 is three years.

Net pension obligations for the three pension plans as of June 30, 2004, are as follows:

Chapter 21 plan	-0-
Chapter 22 plan	-0-
Chapter 23 plan	-0-

Administrative costs of the plans are paid by the City's General Fund.

#### Reserves

In accordance with legal requirements, the pension plans segregate member contributions and accumulated interest. As of June 30, 2004, the reserves are fully funded as follows:

Chapter 21 plan	None Required
Chapter 22 plan	\$1,537,399
Chapter 23 plan	\$9,047,026

### Note 7 – Pension Plans (Continued)

#### Financial Statement Information

As of June 30, 2004 the Statement of Net Assets for the three pension plans is as follows:

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 1,094	\$ 5,876	\$ -
Investments - short-term	857,003	1,784,706	355,784
Receivables:			
Interest and dividends	383,576	645,548	193,651
Other	25,073	136,435	-
Investments, at fair value:			
Long-term bonds	51,613,132	82,973,098	21,498,773
Common stock	5,630,039	8,961,247	-
Collateral pledged on securities loaned	2,579,655	5,635,314	1,531,034
Real estate	3,573,143	4,305,765	1,823,867
Mutual funds	53,965,894	90,849,768	15,333,679
Limited partnerships	927,558	1,127,888	459,383
Total investments	<u>118,289,421</u>	<u>193,853,080</u>	<u>40,646,736</u>
Total assets	<u>119,556,167</u>	<u>196,425,645</u>	<u>41,196,171</u>
<b>Liabilities</b>			
Accounts payable	554,889	621,984	316,964
Deferred revenue	-	98,786	-
Securities loaned	2,579,655	5,635,314	1,531,034
Total liabilities	<u>3,134,544</u>	<u>6,356,084</u>	<u>1,847,998</u>
<b>Net Assets</b>			
Held in trust for pension benefits and other employee benefits	<u>\$ 116,421,623</u>	<u>\$ 190,069,561</u>	<u>\$ 39,348,173</u>

### Note 7 – Pension Plans (Continued)

For the year ended June 30, 2004 the Statement of Changes in Net Assets for the three pension plans is as follows:

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,678,859	\$ 3,876,316	\$ 1,379,770
Net increase in value of investments	12,519,829	20,060,211	3,095,617
Net investment income	15,198,688	23,936,527	4,475,387
Contributions:			
Employer	324,427	652,503	-
Employee	715	1,103,039	-
Total contributions	325,142	1,755,542	-
Total additions	15,523,830	25,692,069	4,475,387
<b>Deductions</b>			
Benefit payments	7,197,279	7,479,010	4,026,923
Refunds of contributions	439,211	216,105	-
Administrative expenses	244,085	346,149	115,948
Total deductions	7,880,575	8,041,264	4,142,871
<b>Change in Net Assets</b>	7,643,255	17,650,805	332,516
<b>Net Assets - Beginning of Year</b>	108,778,368	172,418,756	39,015,657
<b>Net Assets - End of Year</b>	<u>\$ 116,421,623</u>	<u>\$ 190,069,561</u>	<u>\$ 39,348,173</u>

### Other Postretirement Benefit Obligations

In addition to providing pension benefits, the City provides certain health and life insurance benefits for retired employees under provisions of applicable salary plans or union contracts. The City pays nearly all of the premiums. Substantially all employees may become eligible for these benefits through age and service. At June 30, 2004, there were 822 retirees or surviving beneficiaries eligible for such coverage.



### **Note 7 – Pension Plans (Continued)**

In the Postretirement Health Insurance Fund, the City funded 20.3 percent for general employees and 16.33 percent for police and fire of payroll for 2003-2004 and has budgeted 21.35 percent for general employees and 17.35 percent for police and fire of payroll for 2004-2005. Funds set aside in this fund remain available to the general creditors of the City. For 2003-2004, \$6,806,177 was recognized as expenditure for premiums and \$10,085,065 as revenue of this fund. An actuarial update was done as of June 30, 2003.

Retiree life insurance benefits are paid from the City's Retiree Death Benefit Fund. Retirees electing such coverage pay premiums which, when combined with amounts contributed by the City, pay the cost of the benefits. The cost of claims paid for life insurance benefits for the year ended June 30, 2004 was approximately \$57,000.

### **Note 8 – Deferred Compensation Plan**

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan is available to all City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All assets of the plan are, until paid or made available to the employee or other beneficiary, held in trust and are not subject to claims of the City's general creditors. Therefore, the assets of the plan are not reported. A section 401A Plan is established for full time employees not covered by the general employees retirement system.

The City's liability to each participant is equal to the participant's deferred compensation, adjusted by an amount equal to the investment performance in the related asset account. The City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. Investments are managed by a trustee and investment decisions are made by individual employees.

### **Note 9 – Risk Management**

#### **Commercial Insurance**

The City purchases commercial medical and hospitalization insurance coverage from various providers for its employees. There were no significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage for any of the past five fiscal years.

#### **Self-insurance**

The City operates self-insurance programs for workers' compensation and fleet and general liability reported in the Internal Service Funds.

### Note 9 – Risk Management (Continued)

#### **Unemployment Compensation**

Unemployment compensation is on a reimbursement basis with the Michigan Employment Security Commission. Claims are managed by the City's Personnel Department, with payment for the preceding calendar year's claims due in August of the following year. Funding for unemployment compensation is paid by each department equal to claims paid on its behalf in the prior year.

#### **Workers' Compensation**

The City has excess liability coverage with a retention of \$500,000 per accident and \$500,000 per employee illness. The City is self-insured for the retentions. Funding for the workers' compensation program is based on a percentage of payroll judged necessary to fund the program. The estimated accrued liability for claims is based on past experience and future exposure of the claims.

#### **Employee Death Benefits**

Employee death benefits, funded through the employee insurance fund, are handled by an outside insurance company. Charges for this insurance are built into each payroll and allocated to the benefited funds and departments.

#### **Fleet and General Liability Insurance Fund**

The City has been self-insured for civil and fleet liability at various times. Currently, the City maintains excess liability coverage for fleet, general, boiler and machinery, property, crime, contractor's equipment, electronic data processing, public officials errors and omissions, and ambulance attendants liability. The City has a self-insured retention of \$750,000 for each liability claim. The first layer of insurance is \$6,000,000 per occurrence. The excess layer is \$6,000,000 per occurrence. The City has increased funding of its insurance program as a result of insurance industry conditions. The City estimates liability for claims based on the Law Department's evaluation of potential exposure, historical experience and future development of the claims. Retained earnings are designated for anticipated future catastrophic losses.

The City estimates liability for those claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not been reported. Estimates are recorded in the internal service fund type.

**Note 9 – Risk Management (Continued)**

Changes in the estimated liabilities during the year were as follows:

	<u>Unemployment Compensation</u>	<u>Worker's Compensation</u>	<u>Employee Death Benefit</u>	<u>Fleet &amp; General Liability</u>
Claims liability - July 1, 2002	\$ -	\$ 1,510,271	\$ -	\$ 2,893,929
Claims incurred during the year	49,008	-	563,745	758,779
Changes in estimates for claims of prior periods	-	286,649	-	(1,352,048)
Payments on claims	<u>(49,008)</u>	<u>(86,451)</u>	<u>(563,745)</u>	<u>(279,121)</u>
Claims liability - June 30, 2003	-	1,710,469	-	2,021,539
Claims incurred during the year	66,263	-	820,134	541,592
Changes in estimates for claims of prior periods	-	525,881	-	783,182
Payments on claims	<u>(66,263)</u>	<u>(176,414)</u>	<u>(820,134)</u>	<u>(867,562)</u>
Claims liability - June 30, 2004	<u>\$ -</u>	<u>\$ 2,059,936</u>	<u>\$ -</u>	<u>\$ 2,478,751</u>

**Note 10 – Claims, Litigation and Potential Contract  
Disallowances**

Provision for certain claims and assessments asserted against the City, estimable in amount and probable of payment has been made in the applicable funds (see Note 9).

In addition, the City is a defendant in certain other lawsuits and claims that have resulted from the ordinary course of its activities. The ultimate effect on the combined financial statements of the resolution of these matters is, in the opinion of Corporation Counsel, not expected to be material considering available insurance coverage.

The City receives funds from other governmental units to finance specific programs. The final determination of allowable amounts is subject to financial and compliance audit by the responsible agencies. As of June 30, 2004, the audits of certain programs were not completed. Accordingly, the City's compliance with applicable grant requirements and the amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. The City believes that amounts disallowed, if any, from pending or future audits would not be material.

The City of Dearborn is a defendant in a tax appeal that is pending in the Michigan Tax Tribunal. This litigation was on hold pending the outcome of another case where several governmental jurisdictions, including Dearborn, directly sued the State Tax Commission challenging the utility multipliers that were adopted. The Michigan Court of Appeals issued a ruling on the suite on January 20, 2004.

### **Note 10 – Claims, Litigation and Potential Contract Disallowances (Continued)**

The Michigan Tax Tribunal is scheduling hearings on the utility cases in many communities throughout the State of Michigan which includes tax years 1997 through 2004. The City of Dearborn has approximately \$1.9 million of tax dollars at risk plus penalties, interest, and the property tax administration fee.

The State Tax Commission has also become a party in this case and has requested that the Michigan Tax Tribunal hold the cases in abeyance pending negotiations with the utility companies at the State level. The Michigan Tax Tribunal has not issued a ruling on the State Tax Commission's request at this time.

### **Note 11 – Severstal Steel**

On January 30, 2004, a significant taxpayer, Rouge Industries, Inc. transferred ownership of all assets except for the Waste Oxide Reclamation facility (taxable value of \$2.8 million) as part of bankruptcy proceedings under Chapter 11 of the United States, to Severstal North America (SNA) Incorporated. All City of Dearborn property taxes were paid for the fiscal year ending June 30, 2004.

On June 28, 2004, SNA filed a tax appeal with the Michigan Tax Tribunal challenging property values for the fiscal year ending June 30, 2005. The estimated city tax dollars at-risk, based on the filing, are \$1.4 million. SNA is operating the facility as an ongoing concern and has shared plans to invest \$500 million at this location. The City and SNA are actively discussing a variety of tax related alternatives to secure each organization's long-term viability and success.

### **Note 12 – Commitments for Construction**

#### **GOVERNMENTAL FUND TYPES**

On April 23, 2003 the City of Dearborn entered into a development agreement whereby the City will be paid \$2,800,000 for a site in exchange for land in the West Dearborn Downtown Development District. The City agreed to acquire property it did not already own, demolish existing buildings, remove basement walls and foundations and backfill to prepare the land for sale to the developer. In addition, the City has agreed to perform certain other capital improvements: construct two (2) multi-level parking decks, a pedestrian walkway crossing over the railroad tracks, relocate overhead utility lines to underground conduit and to provide streetscape improvements within the development area. The total cost of this work will be paid for with proceeds from bonds issued in June 2004 and from budgeted capital project funds. The historical cost for the land is approximately \$4,400,000. The difference between the historical cost and the proceeds expected to be received from the developer has been recorded by the City at June 30, 2004 as a Community Improvement expenditure in the Capital Projects Fund.

### Note 12 – Commitments for Construction (Continued)

#### PROPRIETARY FUNDS

The Michigan Department of Natural Resources (MDNR) issued revised National Pollution Discharge Elimination System Permits to the City in early 1994, which required the City to modify its sewerage system to control discharges from combined sewer overflows (CSOs). The amended permits were issued on the condition that the City would construct a retention treatment facility as part of its first phase of compliance with these permits. To fulfill its obligations under these permits, the City entered into a contract in August, 1994 for construction of approximately 12,000 feet of deep tunnel in limestone to be built with a finished diameter of about 19 feet, located generally along the Rouge River right of way, together with associated shafts, pumping, control and treatment equipment in the then estimated amount of \$55 million. This was the first phase of compliance with the NPDES permits (Phase I) for control of CSOs as part of the Rouge River National Wet Weather Demonstration Project in cooperation with several southeast Michigan governments, which have CSOs into the Rouge River. Construction began in September 1994 for completion by August 1996. The City is authorized to issue up to \$50 million in revenue bonds to finance this project in combination with Rouge River Wet Weather Demonstration grants and low interest loans through the State Revolving Fund.

During construction, problems arose due to excessive amounts of groundwater containing hydrogen sulfide. The City suspended the project in June of 1996 to study methods of treating the water prior to disposal. In December of that year, the project was terminated, as it became apparent that a substantial change in construction techniques would be needed prior to proceeding. Project life-to-date expenditures as of June 30, 2004, net of assets abandoned in fiscal year 2004 which were valued at \$1,830,000, are \$39.8 million. The City of Dearborn has settled all the original contractor and subcontractor termination claims.

On September 24, 2001, the Michigan Department of Environmental Quality (MDEQ) issued a new NPDES permit to the City of Dearborn. The new permit describes requirements for the elimination of CSO discharges from Outfalls 1-17 and Outfalls 19-21. The permit further details a schedule for achieving these requirements for Outfalls 1-15 and 20, either through a stand-alone Dearborn project, or in conjunction with the City of Detroit (regional tunnel alternative).

The stand-alone alternative requires construction to begin by December of 2004 and be completed by October 1, 2010. In the regional tunnel alternative there is no construction schedule established, however, approvable final plans and specifications must be completed by February 1, 2007. In February of 2003, the City of Dearborn selected the stand-alone alternative as the most cost effective.

The remaining CSO outfalls each have their own project schedule as required by the permit: (1) CSO outfalls 16 & 17 must begin construction by January 2, 2006 and be completed by March 1, 2008; (2) CSO Outfall 19 must begin construction by January 2, 2005 and be completed by January 2, 2007; and (3) CSO Outfall 21 must begin construction by December 1, 2003 and be completed by December 1, 2005.

### Note 12 – Commitments for Construction (Continued)

Current construction for these CSO projects is estimated at \$342 million. The engineer is recommending that a large portion of the work already completed be incorporated into the new CSO design.

In August 2004, a ballot proposal was approved by the voters, which authorized the City to borrow up to \$311.9 million in general obligation bonds in order to finance these projects.

### Note 13 – Construction Code Fees

The City of Dearborn oversees building construction, in accordance with the state's construction code act, including inspection of building construction and renovation to ensure compliance with the building codes. The City of Dearborn charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the activity since January 1, 2000 is as follows:

Shortfall at July 1, 2003		\$	(945,171)
Building permit revenue			4,150,808
Related expenses:			
Direct costs	\$ 3,841,192		
Estimated indirect costs	<u>482,439</u>		
Total construction code expenses			<u>4,323,631</u>
Shortfall		\$	<u>(1,117,994)</u>

### Note 14 – Subsequent Events

The City of Dearborn issued \$24,500,000 of General Obligation Sewer Bonds, Series 2004B (Unlimited Tax General Obligation), on October 1, 2004. Proceeds of the bond issue will be used to finance the combined sewer overflow project.

In September 2004, the City was approved for a 2.125% State Revolving Fund loan in the amount of \$61,640,000. As construction payments for the combined sewer overflow project are made, the City will be able to draw down funds from the Michigan Municipal Bond Authority.

In August of 2004, the voters of the City of Dearborn approved an increase in the millage rate for payment of the principal and interest on both of these bond issues.

### Note 15 – Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ended June 30, 2008.

### Note 16 – Defined Contribution Pension Plan

The City established a defined contribution plan under Sections 401(a) and 457 of the Internal Revenue Code for general employees who hired on or after January 1, 2002, depending on bargaining unit.

In addition, the plan covers all general employees who elected to transfer from the City's defined benefit pension plan.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City of Dearborn through collective bargaining agreements, the City contributes a percentage of employees' earnings as follows:

	<u>Employee Contribution</u>	<u>Employer Contribution</u>
401 plan (required)	2%	4%
457 plan	up to 3%	up to 4%

The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service and are vested immediately for employees transferring from the existing defined benefit pension.

In accordance with the above requirements, the City contributed \$209,991 during the current year, and employees contributed \$128,323.

## **Required Supplementary Information**

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# City of Dearborn, Michigan

## Chapter 21 (Closed) Policemen's and Firemen's Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/1998	43.2	41.6	(1.6)	1.038	-	N/A
6/30/1999	45.7	43.2	(2.5)	1.058	-	N/A
6/30/2000	48.0	41.7	(6.3)	1.151	-	N/A
6/30/2001	48.6	39.8	(8.8)	1.221	-	N/A
6/30/2002	47.5	39.1	(8.4)	1.215	-	N/A
6/30/2003	44.8	37.6	(7.2)	1.191	-	N/A

### Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1998	-	N/A
1999	-	N/A
2000	-	N/A
2001	-	N/A
2002	-	N/A
2003	-	N/A
2004	-	N/A

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2003, the latest actuarial valuation, follows:

Actuarial cost method Fully Funded Retiree Only Plan

Asset valuation method 5-year smoothed market

Actuarial assumptions:

Investment rate of return\* 7.00%  
Projected salary increases\* 4.50%

\*Includes inflation at  
cost of living adjustment 4.50%

# City of Dearborn, Michigan

## Chapter 22 General Employees' Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/1998	108.7	100.7	(8.0)	1.079	20.4	(39.2)
6/30/1999	122.0	106.9	(15.1)	1.141	23.2	(65.1)
6/30/2000	134.3	115.3	(19.0)	1.165	23.6	(80.5)
6/30/2001	139.9	120.2	(19.7)	1.164	25.4	(77.6)
6/30/2002	139.7	127.5	(12.2)	1.096	26.3	(46.4)
6/30/2003	130.6	134.9	4.3	0.968	25.1	17.1

### Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1998	2,837,590	100
1999	2,559,650	100
2000	1,892,804	100
2001	482,182	100
2002	308,063	100
2003	324,874	100
2004	324,427	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2003, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Annuity increasing 4.25% per year; multiple bases
Remaining amortization period	15 years to 25 years depending on base
Asset valuation method	5-year smoothed market 80% - 120% corridor
Actuarial assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	4.25% - 7.55%
*Includes inflation at cost of living adjustment	4.25%

# City of Dearborn, Michigan

## Chapter 23 (Open) Police and Fire Retirement System Schedule of Funding Progress (in millions of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll
6/30/1998	155.5	132.1	(23.4)	1.177	17.0	(137.6)
6/30/1999	176.6	143.6	(33.0)	1.230	18.4	(179.3)
6/30/2000	196.0	155.7	(40.3)	1.259	18.4	(219.0)
6/30/2001	207.2	164.5	(42.7)	1.260	19.6	(217.9)
6/30/2002	209.7	180.7	(29.0)	1.160	19.6	(148.0)
6/30/2003	206.5	196.3	(10.2)	1.052	21.5	(47.4)

### Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1998	2,130,116	100
1999	1,968,629	100
2000	1,020,049	100
2001	546,284	100
2002	561,239	100
2003	573,217	100
2004	652,503	100

The information presented above was determined as part of the actuarial valuations for the years then ended. Additional information as of June 30, 2003, the latest actuarial valuation, follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay
Remaining amortization period	5 years to 25 years depending on base
Asset valuation method	5-year smoothed market 80% - 120% corridor
Actuarial assumptions:	
Investment rate of return*	7.00%
Projected salary increases*	4.00%
*Includes inflation at cost of living adjustment	4.00% (varies by labor contract)

# City of Dearborn, Michigan

## Budgetary Comparison Schedule – General Fund Year Ended June 30, 2004

	Budgeted Amounts		Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
	Original	Final				
Revenues						
Taxes and Penalties on Taxes						
Current property taxes	\$ 63,587,811	\$ 63,587,811	\$ 64,437,457	\$ 849,646	\$ -	\$ 64,437,457
Property tax administration fee	2,300,000	2,300,000	2,332,132	32,132	-	2,332,132
Penalties and interest on taxes	610,000	610,000	1,010,076	400,076	-	1,010,076
Payments in lieu of taxes	852,000	852,000	1,076,656	224,656	-	1,076,656
Total taxes and penalties on taxes	67,349,811	67,349,811	68,856,321	1,506,510	-	68,856,321
Licenses and Permits						
Business licenses and permits	248,000	248,000	272,407	24,407	-	272,407
Nonbusiness licenses and permits	3,017,450	2,704,150	2,739,995	35,845	-	2,739,995
Total licenses and permits	3,265,450	2,952,150	3,012,402	60,252	-	3,012,402
Intergovernmental Revenues						
State sources:						
Sales and use tax	9,820,000	9,820,000	10,017,678	197,678	-	10,017,678
Liquor licenses	-	-	-	-	-	-
Operators' licenses	6,000	6,000	5,228	(772)	-	5,228
Judges' salaries	140,000	140,000	136,947	(3,053)	-	136,947
Alcohol caseload rebate	74,000	74,000	75,794	1,794	-	75,794
Other state sources	240,174	740,174	411,131	(329,043)	-	411,131
Total state sources	10,280,174	10,780,174	10,646,778	(133,396)	-	10,646,778
Other governmental:						
Federal grants	97,693	771,492	335,188	(436,304)	-	335,188
Wayne County library fines	157,000	157,000	130,670	(26,330)	-	130,670
Schools election reimbursement	45,000	45,000	23,815	(21,185)	-	23,815
Other organizations	-	-	4,036	4,036	-	4,036
Total other governmental	299,693	973,492	493,709	(479,783)	-	493,709
Total intergovernmental revenues	10,579,867	11,753,666	11,140,487	(613,179)	-	11,140,487
Charges for Services						
General government:						
Birth and death records	240,000	240,000	260,543	20,543	-	260,543
Engineering and inspection	775,000	775,457	818,857	43,400	-	818,857
City service fee	1,104,675	1,104,675	1,104,675	-	-	1,104,675
Other	1,107,700	1,107,854	526,002	(581,852)	-	526,002
Total general government	3,227,375	3,227,986	2,710,077	(517,909)	-	2,710,077
Public safety:						
Annual safety inspection	700,000	700,000	504,248	(195,752)	-	504,248
Annual maintenance inspection	150,000	150,000	93,464	(56,536)	-	93,464
Ambulance services	905,000	1,350,000	1,302,081	(47,919)	-	1,302,081
Additional police patrols	197,331	197,331	184,693	(12,638)	-	184,693
False alarms	140,000	140,000	58,014	(81,986)	-	58,014
Other	523,500	836,800	760,167	(76,633)	-	760,167
Total public safety	2,615,831	3,374,131	2,902,667	(471,464)	-	2,902,667
Health	161,775	161,775	224,919	63,144	-	224,919
Public works:						
Debris and rubbish pickup	60,000	60,000	28,847	(31,153)	-	28,847
Weed cutting	210,000	210,000	248,452	38,452	-	248,452
Sidewalk maintenance	794,625	794,625	589,175	(205,450)	-	589,175
Parking lot maintenance	-	-	(2,775)	(2,775)	-	(2,775)
Total public works	1,064,625	1,064,625	863,699	(200,926)	-	863,699
Recreation and culture:						
Programs and activities sales	449,264	449,264	449,621	357	-	449,621
Sales	255,713	257,213	293,867	36,654	-	293,867
Use and admission fees	2,127,520	2,127,520	2,083,151	(44,369)	-	2,083,151
Total recreation and culture	2,832,497	2,833,997	2,826,639	(7,358)	-	2,826,639
Total charges for services	9,902,103	10,662,514	9,528,001	(1,134,513)	-	9,528,001

# City of Dearborn, Michigan

## Budgetary Comparison Schedule – General Fund Year Ended June 30, 2004

	Budgeted Amounts		Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
	Original	Final				
<b>Fines and Forfeitures</b>						
Parking fines	\$ 400,000	\$ 400,000	\$ 364,770	\$ (35,230)	\$ -	\$ 364,770
19th District Court fines	2,759,800	2,759,800	2,662,928	(96,872)	-	2,662,928
Library fines and forfeits	107,600	107,600	99,378	(8,222)	-	99,378
Other fines and forfeits	2,500	2,500	6,090	3,590	-	6,090
Total fines and forfeitures	3,269,900	3,269,900	3,133,166	(136,734)	-	3,133,166
<b>Miscellaneous Revenue</b>						
Franchise fees	134,000	134,000	139,047	5,047	-	139,047
Rents and lease agreements	3,151,697	3,151,697	3,173,624	21,927	-	3,173,624
Sale of fixed assets	-	-	815	815	-	815
Reimbursements	19,392	19,392	218,439	199,047	-	218,439
Refunds	-	-	-	-	-	-
Other revenue	1,312,844	1,314,344	1,307,687	(6,657)	-	1,307,687
Total miscellaneous revenue	4,617,933	4,619,433	4,839,612	220,179	-	4,839,612
<b>Investment Income</b>	1,008,400	1,008,400	838,052	(170,348)	-	838,052
Total revenues	99,993,464	101,615,874	101,348,041	(267,833)	-	101,348,041
<b>Other Financing Sources - Drug Law Enforcement Fund Building Authority</b>	-	80,000	16,779	(63,221)	-	16,779
	-	-	300,266	300,266	-	300,266
Total other financing sources	-	80,000	317,045	237,045	-	317,045
<b>Total revenues and other sources</b>	<b>\$ 99,993,464</b>	<b>\$ 101,695,874</b>	<b>\$ 101,665,086</b>	<b>\$ (30,788)</b>	<b>\$ -</b>	<b>\$ 101,665,086</b>
<b>Expenditures</b>						
<b>General Government</b>						
Council	\$ 465,010	\$ 480,395	\$ 420,580	\$ 59,815	\$ (3,935)	\$ 416,645
District Court	2,955,431	3,110,890	2,889,626	221,264	(26,925)	2,862,701
Mayor	883,437	954,272	873,000	81,272	(19,323)	853,677
City Clerk	812,133	812,133	723,835	88,298	(53)	723,782
Law	1,491,384	1,499,884	1,448,148	51,736	(71,508)	1,376,640
Human resources	1,072,331	1,086,631	912,547	174,084	(40,828)	871,719
Public works/building services and maintenance	3,946,674	3,998,716	3,667,174	331,542	(28,410)	3,638,764
Assessment	1,453,151	1,976,301	1,674,317	301,984	(387,443)	1,286,874
Management information systems	1,290,253	1,256,250	1,090,924	165,326	(43,882)	1,047,042
Finance:						
Accounting	1,858,942	1,864,275	1,584,803	279,472	(26,110)	1,558,693
Purchasing	498,107	500,107	427,524	72,583	(9,113)	418,411
Treasurer	694,033	699,008	636,131	62,877	(33,542)	602,589
Nondepartmental - Insurance, tax refunds and other miscellaneous	2,750,000	2,520,444	1,394,402	1,126,042	-	1,394,402
Total general government	20,170,886	20,759,306	17,743,011	3,016,295	(691,072)	17,051,939
<b>Public Safety</b>						
Police:						
Operations	22,398,062	22,819,147	21,889,292	929,855	(520,416)	21,368,876
Ordinance enforcement	658,336	686,018	624,904	61,114	(350)	624,554
Fire:						
Operations	11,974,968	12,128,604	12,087,085	41,519	(9,755)	12,077,330
Civil preparedness	16,000	3,000	6,000	(3,000)	(580)	5,420
Communications	2,249,056	2,153,028	1,929,343	223,685	(15,191)	1,914,152
Building and safety	5,505,199	5,555,965	3,869,184	1,686,781	(53,042)	3,816,142
Total public safety	42,801,621	43,345,762	40,405,808	2,939,954	(599,334)	39,806,474

# City of Dearborn, Michigan

## Budgetary Comparison Schedule – General Fund Year Ended June 30, 2004

	Budgeted Amounts		Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
	Original	Final				
<b>Public Works</b>						
Administrative	\$ 637,052	\$ 610,952	\$ 465,056	\$ 145,896	\$ (19,215)	\$ 445,841
Engineering	3,695,038	3,680,455	3,205,088	475,367	(615,494)	2,589,594
Highways	2,679,072	2,826,986	2,410,298	416,688	(3,516)	2,406,782
Sanitation	5,611,462	5,567,668	4,972,209	595,459	(29,324)	4,942,885
MIS - Line	547,562	559,704	524,833	34,871	-	524,833
Nondepartmental - Street light repair	150,000	150,000	45,900	104,100	2,257	48,157
Total public works	13,320,186	13,395,765	11,623,384	1,772,381	(665,292)	10,958,092
<b>Health and Welfare</b>						
Public information:						
Administrative	684,019	581,150	468,967	112,183	(11,587)	457,380
Photography and micrographics	105,566	103,765	99,126	4,639	-	99,126
Health	387,180	387,180	383,794	3,386	(44,167)	339,627
Total health and welfare	1,176,765	1,072,095	951,887	120,208	(55,754)	896,133
<b>Recreation and Culture</b>						
Libraries	3,875,708	3,878,903	3,817,518	61,385	(22,887)	3,794,631
Public works	4,081,617	4,076,425	3,464,331	612,094	(93,813)	3,370,518
Recreation:						
Administrative	848,891	835,891	830,016	5,875	(1,065)	828,951
Programs	823,060	798,643	728,499	70,144	(2,812)	725,687
Outdoor pools	562,805	566,805	528,624	38,181	(13,225)	515,399
Community center:						
Admin/Athletics	1,860,609	1,830,470	1,643,501	186,969	(7,893)	1,635,608
Cultural arts	1,074,786	1,100,786	971,586	129,200	(6,720)	964,866
Senior services	610,749	854,065	445,209	408,856	(248)	444,961
Sports arena	788,799	827,896	718,170	109,726	(13,035)	705,135
Historical commission	508,741	502,861	480,904	21,957	(1,595)	479,309
Total recreation and culture	15,035,765	15,272,745	13,628,358	1,644,387	(163,293)	13,465,065
<b>Community Improvement</b>						
Community improvement	652,241	652,241	373,184	279,057	(536)	372,648
City plan	438,060	438,060	375,181	62,879	(165)	375,016
Total community improvement	1,090,301	1,090,301	748,365	341,936	(701)	747,664
<b>Utilities</b>	3,918,500	3,915,438	3,586,278	329,160	(11,607)	3,574,671
<b>Capital Outlay/Projects</b>	1,204,000	1,959,158	1,081,244	877,914	(205,395)	875,849
Total expenditures	98,718,024	100,810,570	89,768,335	11,042,235	(2,392,448)	87,375,887
<b>Other Uses - Operating transfers out</b>	8,835,104	9,053,902	9,203,658	(149,756)	-	9,203,658
<b>Total expenditures and other uses</b>	<b>\$ 107,553,128</b>	<b>\$ 109,864,472</b>	<b>\$ 98,971,993</b>	<b>\$ 10,892,479</b>	<b>\$ (2,392,448)</b>	<b>\$ 96,579,545</b>

### **Budgetary Accounting and Accountability**

The City's budget is prepared in compliance with the uniform budgeting provisions of Michigan law. Budgets are adopted for all governmental and proprietary funds.

Appropriations in the General Fund are controlled at the department level. Expenditures for all other governmental funds are controlled at the fund level. While the legislative budget is adopted at summary levels, administrative control is maintained at detail levels. Management may amend the budget at the detail level within summary constraints. During the fiscal year, it was necessary to make budget amendments.

The City maintains budgetary control through the use of a full encumbrance system. For budgetary purposes, appropriations lapse at fiscal year-end, except for the portion related to encumbered amounts and those amounts approved for carry forward by the City Council.

Budget to actual statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

- Encumbrances are included as expenditures.
- Project life re-appropriations to the following fiscal year are reported as appropriated reserve carry-forward.

### **Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary control in the General, Special Revenue and Capital Projects Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

## **Other Supplemental Information**

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# City of Dearborn, Michigan

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## Description of Nonmajor Governmental Funds Year Ended June 30, 2004

### **Special Revenue Funds**

These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The combined Special Revenue Funds are comprised of the following individual funds:

**Major Street and Trunkline Fund and Local Street Fund** – Both of these funds are established by state law to account for expenditures of state gas and weight tax collection allocations to the City. Their use is restricted to maintenance and construction of roads and streets and related expenditures. Ten percent of revenue may be expended for non-motorized transportation.

**Camp Dearborn Operation Fund** – This fund accounts for operation of the City's 626-acre park located near Milford, Michigan in Oakland County. This park is open to residents and their guests and offers a wide range of recreational activities. In FY2004, the operation required a subsidy from the General Fund.

**Senior Citizen Furnishings Fund** – This fund accounts for rental of furnishings to tenants in three senior citizen apartment buildings operated by the Dearborn Housing Commission. Maintenance and replacement of the furnishings is financed through this fund.

**Drug Law Enforcement Fund** – This fund is used to account for the proceeds of forfeitures resulting from drug law enforcement activities.

**Library Aid Fund** – This fund accounts for expenditure of library aid funds allocated to the City from the state. Use is restricted to library purposes.

**Community Development Fund** – This fund accounts for entitlement funds received through the Federal Community Development Block Grant Program. The City has participated in this program since its enactment by Congress in 1977.

**Home Weatherization Fund** – This fund accounts for weatherization grant funds received through the state of Michigan to assist eligible residents in weatherizing their homes.

**Telecommunications Fund** – This fund accounts for expenditure of revenue allocated through cable television franchise fees for the purpose of providing staff assistance to administer the cable television franchise and grant to promote access to the cable television system.

**Designated Purposes Fund** – This fund accounts for expenditures of various civic projects, which are financed by specific charges for services and by private contributions.

### **Debt Service Fund**

The Debt Service Fund is used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

# City of Dearborn, Michigan

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## Description of Nonmajor Governmental Funds Year Ended June 30, 2004

### **Enterprise Funds**

These funds report operations that provide services to citizens financed primarily by a user charge or activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Golf Course Fund** – This fund accounts for the operation of Robert Herndon's Dearborn Hills Public Golf Course.

**Seniors Apartment Operating Fund** – This fund accounts for operation of the City's Housing Department which administers the Senior Citizen Housing Program. The fund also directly accounts for operation of two senior citizen apartment buildings, Hubbard Manor East and Hubbard Manor West, which consist of a total of 351 apartments. Administrative and other costs are billed to the Dearborn Towers Fund and to the Dearborn Housing Commission based on services provided.

**Dearborn Towers Fund** – This fund accounts for operation of an 88-unit senior citizen apartment building in Clearwater, Florida. The apartment building is intended to provide a Florida retirement home for eligible Dearborn residents.

### **Internal Service Funds**

**Equipment Replacement Fund** – Computers and related equipment, as well as copiers are purchased by this fund for most city departments. Funding for the equipment is received by charging an annual equipment lease fee to each user department. This fund also accounts for the operation of the City's central storeroom.

**Central Garage Fund** – Central repair and maintenance services for vehicles and similar equipment are provided by the Motor Transport Division of the Department of Public Works. Such activities are accounted for within this fund. Routine maintenance of Camp Dearborn equipment is handled by Camp personnel. This fund is reimbursed by billing user departments. Replacement vehicles for general fund departments are funded through annual equipment lease fees charged to the departments.

**Workers' Compensation and Employee Benefit Fund** – This fund accounts for reserves established to support future expenditures for indemnity claims arising from work-related injuries. The City is self-insured for \$500,000 per occurrence with unlimited excess coverage and uses an insurance reserve method to determine funding requirements. The fund also handles employee life and dental insurance. Life insurance coverage is provided by an outside insurance company. Dental insurance is on a reimbursement basis with Delta Dental.

**Fleet and General Liability Insurance Fund** – This fund accounts for reserves established for both fleet and general liability insurance and related claims against the City. The City retains the first \$750,000 per occurrence. The first layer of insurance is \$6 million per occurrence. The excess layer is \$6 million per occurrence.

# City of Dearborn, Michigan

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## Description of Nonmajor Governmental Funds Year Ended June 30, 2004

### **Fiduciary Funds**

Trust funds are used to account for assets held by the City in a trustee capacity. Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and for other funds.

**Trust and Agency Fund** – This fund accounts for deposit of monies held by the City government in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

**Imprest Payroll Fund** – This fund acts as a payroll-clearing mechanism to aggregate and distribute payroll deductions. Its use relates primarily to internal control and convenience in cash management.

**19<sup>th</sup> District Court** – This fund accounts for monies collected by the court as bonds or for eventual distribution to the City as the district control unit or the State of Michigan.

**Pension Trust Funds** – The City operates three retirement systems, which are accounted for in three separate funds. These funds include the General Employees' Retirement System Fund, covering all full-time general employees (excluding sworn police and fire), the Revised Police and Fire (Open) Retirement System Fund, which covers police and fire employees hired since 1956, and the Policemen's and Firemen's (Closed) Retirement System Fund, which covers police and fire employees hired prior to establishment of the revised system.

**Retiree Death Benefits Fund** – This fund accounts for reserves established to support future expenditures for death benefit claims. The City is self-insured. The fund has had an actuarial valuation that indicated the fund is in sound financial condition.

**Postretirement Health Care Fund** – This fund accounts for amounts reserved to pay future postretirement health insurance expenses. While primarily set aside for this purpose, resources remain available to the general creditors of the City. Funding is determined by actuarial studies to stabilize budget requirements as a percentage of pay.

# City of Dearborn, Michigan

Nonmajor

	Major Streets Fund	Local Streets Fund	Camp Dearborn Operating Fund	Senior Citizens Furnishings Fund	Drug Law Enforcement Fund	Library Aid Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 534,197	\$ 196,979	\$ 136,758	\$ 22,978	\$ 373,717	\$ 22,560
Investments	5,176,954	1,908,942	1,361,753	222,687	3,350,376	218,636
Accounts receivable (Net)	36,278	1,461	17,420	-	-	-
Property taxes receivable	-	-	-	-	-	-
Accrued interest receivable	37,389	13,787	9,523	1,608	24,197	1,579
Due from other funds	-	91,567	37,400	-	-	-
Due from other governments	872,459	254,599	-	-	-	-
Prepaid items	-	-	7,638	-	-	-
Inventories	-	-	2,318	-	-	-
Total assets	<u>\$ 6,657,277</u>	<u>\$ 2,467,335</u>	<u>\$ 1,572,810</u>	<u>\$ 247,273</u>	<u>\$ 3,748,290</u>	<u>\$ 242,775</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 145,318	\$ 321,676	\$ 119,612	\$ -	\$ 10,592	\$ 11,556
Accrued liabilities	-	-	46,791	-	-	-
Deposits/refunds payable	-	-	231,755	-	-	-
Due to other funds	88,037	-	-	-	75,583	-
Due to other governments	-	-	320	-	-	-
Deferred revenue	-	-	-	-	-	-
Claims payable	-	-	-	-	-	-
Total liabilities	<u>233,355</u>	<u>321,676</u>	<u>398,478</u>	<u>-</u>	<u>86,175</u>	<u>11,556</u>
Fund Balances:						
Reserve for encumbrances	1,754,013	1,512,062	110,901	154	484,697	6,748
Reserve for prepaid items	-	-	7,638	-	-	-
Appropriated reserve	3,557,470	375,112	784,067	-	1,373,776	159,780
Reserved for debt service	-	-	-	-	-	-
Unreserved - Undesignated	<u>1,112,439</u>	<u>258,485</u>	<u>271,726</u>	<u>247,119</u>	<u>1,803,642</u>	<u>64,691</u>
Total fund balances	<u>6,423,922</u>	<u>2,145,659</u>	<u>1,174,332</u>	<u>247,273</u>	<u>3,662,115</u>	<u>231,219</u>
Total liabilities and fund balances	<u>\$ 6,657,277</u>	<u>\$ 2,467,335</u>	<u>\$ 1,572,810</u>	<u>\$ 247,273</u>	<u>\$ 3,748,290</u>	<u>\$ 242,775</u>

# Combining Balance Sheet Nonmajor Governmental Funds Year Ended June 30, 2004

## Special Revenue Funds

Community Development Fund	Home Weatherization Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ 181	\$ 3,455	\$ 38,710	\$ 326,528	\$ 1,656,063	\$ 55,774	\$ 1,711,837
1,758	33,481	373,206	884,107	13,531,900	374,652	13,906,552
-	-	142,583	27,817	225,559	-	225,559
-	-	-	-	-	26,038	26,038
13	242	2,695	6,542	97,575	2,717	100,292
-	-	-	-	128,967	-	128,967
324,997	-	-	-	1,452,055	48,148	1,500,203
-	-	1,475	-	9,113	-	9,113
-	-	-	-	2,318	-	2,318
<u>\$ 326,949</u>	<u>\$ 37,178</u>	<u>\$ 558,669</u>	<u>\$1,244,994</u>	<u>\$17,103,550</u>	<u>\$507,329</u>	<u>\$ 17,610,879</u>
\$ 7,811	\$ 3,323	\$ 2,530	\$ 5,632	\$ 628,050	\$ -	\$ 628,050
-	-	2,491	88	49,370	116,446	165,816
400	-	-	53,134	285,289	-	285,289
300,000	-	-	-	463,620	-	463,620
-	-	-	-	320	-	320
18,738	33,855	-	-	52,593	36,815	89,408
-	-	-	-	-	28,206	28,206
<u>326,949</u>	<u>37,178</u>	<u>5,021</u>	<u>58,854</u>	<u>1,479,242</u>	<u>181,467</u>	<u>1,660,709</u>
1,247,169	2,476	13,025	134,140	5,265,385	-	5,265,385
-	-	1,475	-	9,113	-	9,113
-	-	14,014	1,052,000	7,316,219	-	7,316,219
-	-	-	-	-	325,862	325,862
<u>(1,247,169)</u>	<u>(2,476)</u>	<u>525,134</u>	<u>-</u>	<u>3,033,591</u>	<u>-</u>	<u>3,033,591</u>
<u>-</u>	<u>-</u>	<u>553,648</u>	<u>1,186,140</u>	<u>15,624,308</u>	<u>325,862</u>	<u>15,950,170</u>
<u>\$ 326,949</u>	<u>\$ 37,178</u>	<u>\$ 558,669</u>	<u>\$1,244,994</u>	<u>\$17,103,550</u>	<u>\$507,329</u>	<u>\$ 17,610,879</u>

# City of Dearborn, Michigan

	Nonmajor					
	Major Streets Fund	Local Streets Fund	Camp Dearborn Operating Fund	Senior Citizens Furnishings Fund	Drug Law Enforcement Fund	Library Aid Fund
<b>Revenues</b>						
Taxes, assessments and penalties on taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues:						
State sources	5,475,421	1,782,390	-	-	-	85,177
Federal sources	431,952	-	-	-	-	-
Charges for services	-	-	227,067	-	-	-
Fines and forfeits	-	-	1,770	-	587,207	-
Rents and royalties	-	-	1,118,561	-	-	-
Miscellaneous revenue	4,332	-	28,918	-	30,414	-
Private source contributions	100,000	-	-	-	-	-
Investment income	75,478	22,649	13,746	3,017	44,870	2,915
<b>Total revenues</b>	<b>6,087,183</b>	<b>1,805,039</b>	<b>1,390,062</b>	<b>3,017</b>	<b>662,491</b>	<b>88,092</b>
<b>Expenditures</b>						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	325,090	-
Public works	5,115,551	3,662,005	-	-	-	-
Health and welfare	-	-	-	-	-	-
Recreation and culture	-	-	1,422,485	-	-	78,554
Community improvement	-	-	-	5,295	-	-
Utilities	-	-	232,273	-	33,746	-
Capital outlay	-	-	573,381	-	110,875	44,381
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	<b>5,115,551</b>	<b>3,662,005</b>	<b>2,228,139</b>	<b>5,295</b>	<b>469,711</b>	<b>122,935</b>
<b>Revenues Over (Under) Expenditures</b>	<b>971,632</b>	<b>(1,856,966)</b>	<b>(838,077)</b>	<b>(2,278)</b>	<b>192,780</b>	<b>(34,843)</b>
<b>Other Financing Sources (Uses)</b>						
Proceeds from the issuance of long-term debt	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Operating transfers in	511,700	2,431,601	922,400	-	-	-
Operating transfers out	(1,889,546)	(80,061)	-	-	(16,779)	-
<b>Total other financing sources (uses)</b>	<b>(1,377,846)</b>	<b>2,351,540</b>	<b>922,400</b>	<b>-</b>	<b>(16,779)</b>	<b>-</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	<b>(406,214)</b>	<b>494,574</b>	<b>84,323</b>	<b>(2,278)</b>	<b>176,001</b>	<b>(34,843)</b>
<b>Fund Balances - July 1, 2003</b>	<b>6,830,136</b>	<b>1,651,085</b>	<b>1,090,009</b>	<b>249,551</b>	<b>3,486,114</b>	<b>266,062</b>
<b>Fund Balances - June 30, 2004</b>	<b>\$ 6,423,922</b>	<b>\$ 2,145,659</b>	<b>\$ 1,174,332</b>	<b>\$ 247,273</b>	<b>\$ 3,662,115</b>	<b>\$ 231,219</b>

**Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
Year Ended June 30, 2004**

Special Revenue Funds

Community Development Fund	Home Weatherization Fund	Tele- communications Fund	Designated Purposes Fund	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,369,155	\$ 2,369,155
-	-	-	-	7,342,988	-	7,342,988
2,949,746	158,616	-	-	3,540,314	-	3,540,314
-	-	-	154,998	382,065	-	382,065
-	-	-	-	588,977	-	588,977
-	-	568,545	-	1,687,106	-	1,687,106
-	-	-	20,609	84,273	-	84,273
-	-	-	163,049	263,049	-	263,049
-	186	4,946	1,993	169,800	24,242	194,042
<u>2,949,746</u>	<u>158,802</u>	<u>573,491</u>	<u>340,649</u>	<u>14,058,572</u>	<u>2,393,397</u>	<u>16,451,969</u>
-	-	-	34,651	34,651	51,347	85,998
-	-	-	78,404	403,494	-	403,494
-	-	-	16,875	8,794,431	-	8,794,431
-	-	-	2,504	2,504	-	2,504
-	-	462,568	290,790	2,254,397	-	2,254,397
1,136,620	158,802	-	50	1,300,767	-	1,300,767
-	-	-	-	266,019	-	266,019
-	-	40,206	-	768,843	-	768,843
-	-	-	-	-	1,450,000	1,450,000
-	-	-	-	-	1,072,128	1,072,128
<u>1,136,620</u>	<u>158,802</u>	<u>502,774</u>	<u>423,274</u>	<u>13,825,106</u>	<u>2,573,475</u>	<u>16,398,581</u>
1,813,126	-	70,717	(82,625)	233,466	(180,078)	53,388
-	-	-	-	-	8,630,000	8,630,000
-	-	-	-	-	(8,475,000)	(8,475,000)
-	-	-	294,848	4,160,549	-	4,160,549
<u>(1,813,126)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,799,512)</u>	<u>-</u>	<u>(3,799,512)</u>
<u>(1,813,126)</u>	<u>-</u>	<u>-</u>	<u>294,848</u>	<u>361,037</u>	<u>155,000</u>	<u>516,037</u>
-	-	70,717	212,223	594,503	(25,078)	569,425
-	-	482,931	973,917	15,029,805	350,940	15,380,745
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 553,648</u>	<u>\$1,186,140</u>	<u>\$ 15,624,308</u>	<u>\$ 325,862</u>	<u>\$ 15,950,170</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Major Street Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 5,377,237	\$ 5,020,081	\$ (357,156)	\$ -	\$ 5,020,081
Federal sources	249,411	431,952	182,541	-	431,952
Miscellaneous revenue	16,667	4,332	(12,335)	-	4,332
Private source contributions	100,000	100,000	-	-	100,000
Investment income	125,000	75,478	(49,522)	-	75,478
Total revenues	5,868,315	5,631,843	(236,472)	-	5,631,843
<b>Expenditures - Public works</b>	<u>10,419,775</u>	<u>6,869,564</u>	<u>(3,550,211)</u>	<u>(1,754,013)</u>	<u>5,115,551</u>
<b>Revenues Over (Under) Expenditures</b>	(4,551,460)	(1,237,721)	3,313,739	1,754,013	516,292
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	1,135,791	511,700	(624,091)	-	511,700
Operating transfers out	<u>(1,909,538)</u>	<u>(1,889,546)</u>	<u>19,992</u>	<u>-</u>	<u>(1,889,546)</u>
Total other financing sources (uses)	<u>(773,747)</u>	<u>(1,377,846)</u>	<u>(604,099)</u>	<u>-</u>	<u>(1,377,846)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(5,325,207)	(2,615,567)	2,709,640	1,754,013	(861,554)
<b>Fund Balances - July 1, 2003</b>	6,830,136	6,830,136	-	-	6,830,136
<b>Reserved for Encumbrances</b>	<u>-</u>	<u>1,754,013</u>	<u>1,754,013</u>	<u>(1,754,013)</u>	<u>-</u>
<b>Fund Balances - June 30, 2004</b>	<u>\$ 1,504,929</u>	<u>\$ 5,968,582</u>	<u>\$ 4,463,653</u>	<u>\$ -</u>	<u>\$ 5,968,582</u>



# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Local Street Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 1,788,765	\$ 1,782,390	\$ (6,375)	\$ -	\$ 1,782,390
Miscellaneous revenue	-	-	-	-	-
Investment income	25,000	22,649	(2,351)	-	22,649
Total revenues	1,813,765	1,805,039	(8,726)	-	1,805,039
<b>Expenditures - Public works</b>	<u>5,615,754</u>	<u>5,174,067</u>	<u>(441,687)</u>	<u>(1,512,062)</u>	<u>3,662,005</u>
<b>Revenues Over (Under) Expenditures</b>	(3,801,989)	(3,369,028)	432,961	1,512,062	(1,856,966)
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	2,397,971	2,431,601	33,630	-	2,431,601
Operating transfers out	<u>(134,539)</u>	<u>(80,061)</u>	<u>54,478</u>	<u>-</u>	<u>(80,061)</u>
Total other financing sources (uses)	<u>2,263,432</u>	<u>2,351,540</u>	<u>88,108</u>	<u>-</u>	<u>2,351,540</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(1,538,557)	(1,017,488)	521,069	1,512,062	494,574
<b>Fund Balances - July 1, 2003</b>	1,651,085	1,651,085	-	-	1,651,085
<b>Reserved for Encumbrances</b>	<u>-</u>	<u>1,512,062</u>	<u>1,512,062</u>	<u>(1,512,062)</u>	<u>-</u>
<b>Fund Balances - June 30, 2004</b>	<u>\$ 112,528</u>	<u>\$ 2,145,659</u>	<u>\$ 2,033,131</u>	<u>\$ -</u>	<u>\$ 2,145,659</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Camp Dearborn Operating Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Charges for Services:					
Use and admission	\$ 231,500	\$ 192,345	\$ (39,155)	\$ -	\$ 192,345
Sales	40,000	34,722	(5,278)	-	34,722
Fines and forfeits	3,500	1,770	(1,730)	-	1,770
Rents and royalties:					
Golf course	151,938	151,938	-	-	151,938
Oil exploration	21,600	13,141	(8,459)	-	13,141
Facilities	1,103,950	953,482	(150,468)	-	953,482
Miscellaneous revenue	29,250	28,918	(332)	-	28,918
Investment income	15,000	13,746	(1,254)	-	13,746
<b>Total revenues</b>	<b>1,596,738</b>	<b>1,390,062</b>	<b>(206,676)</b>	<b>-</b>	<b>1,390,062</b>
<b>Expenditures</b>					
Recreation and culture	1,666,873	1,441,895	(224,978)	(19,410)	1,422,485
Utilities	246,900	232,273	(14,627)	-	232,273
Capital outlay	1,433,179	664,872	(768,307)	(91,491)	573,381
<b>Total expenditures</b>	<b>3,346,952</b>	<b>2,339,040</b>	<b>(1,007,912)</b>	<b>(110,901)</b>	<b>2,228,139</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(1,750,214)</b>	<b>(948,978)</b>	<b>801,236</b>	<b>110,901</b>	<b>(838,077)</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	922,400	922,400	-	-	922,400
Operating transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>922,400</b>	<b>922,400</b>	<b>-</b>	<b>-</b>	<b>922,400</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	<b>(827,814)</b>	<b>(26,578)</b>	<b>801,236</b>	<b>110,901</b>	<b>84,323</b>
<b>Fund Balances - July 1, 2003</b>	<b>1,090,009</b>	<b>1,090,009</b>	<b>-</b>	<b>-</b>	<b>1,090,009</b>
<b>Reserved for Encumbrances</b>	<b>-</b>	<b>110,901</b>	<b>110,901</b>	<b>(110,901)</b>	<b>-</b>
<b>Fund Balances - June 30, 2004</b>	<b>\$ 262,195</b>	<b>\$ 1,174,332</b>	<b>\$ 912,137</b>	<b>\$ -</b>	<b>\$ 1,174,332</b>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Senior Citizens Furnishings Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues - Investment Income</b>	\$ 6,250	\$ 3,017	\$ (3,233)	\$ -	\$ 3,017
<b>Expenditures - Community improvement</b>	38,808	5,449	(33,359)	(154)	5,295
<b>Revenues Over (Under) Expenditures</b>	(32,558)	(2,432)	30,126	154	(2,278)
<b>Fund Balances - July 1, 2003</b>	249,551	249,551	-	-	249,551
<b>Reserved for Encumbrances</b>	-	154	154	(154)	-
<b>Fund Balances - June 30, 2004</b>	<u>\$ 216,993</u>	<u>\$ 247,273</u>	<u>\$ 30,280</u>	<u>\$ -</u>	<u>\$ 247,273</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Drug Law Enforcement Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Fines and forfeits	\$ -	\$ 587,207	\$ 587,207	\$ -	\$ 587,207
Miscellaneous revenue	-	30,414	30,414	-	30,414
Investment income	55,000	44,870	(10,130)	-	44,870
Total revenues	55,000	662,491	607,491	-	662,491
<b>Expenditures</b>					
Public safety	647,729	330,483	(317,246)	(5,393)	325,090
Utilities	90,900	33,746	(57,154)	-	33,746
Capital outlay	205,450	157,718	(47,732)	(46,843)	110,875
Total expenditures	944,079	521,947	(422,132)	(52,236)	469,711
<b>Revenues Over (Under) Expenditures</b>	(889,079)	140,544	1,029,623	52,236	192,780
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	(1,040,000)	(449,240)	590,760	432,461	(16,779)
Total other financing sources (uses)	(1,040,000)	(449,240)	590,760	432,461	(16,779)
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(1,929,079)	(308,696)	1,620,383	484,697	176,001
<b>Fund Balances - July 1, 2003</b>	3,486,114	3,486,114	-	-	3,486,114
<b>Reserved for Encumbrances</b>	-	484,697	484,697	(484,697)	-
<b>Fund Balances - June 30, 2004</b>	<u>\$ 1,557,035</u>	<u>\$ 3,662,115</u>	<u>\$ 2,105,080</u>	<u>\$ -</u>	<u>\$ 3,662,115</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Library Aid Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernment revenues:					
State sources	\$ 80,000	\$ 85,177	\$ 5,177	\$ -	\$ 85,177
Investment income	1,000	2,915	1,915	-	2,915
Total revenues	81,000	88,092	7,092	-	88,092
<b>Expenditures</b>					
Recreation and culture	153,722	78,554	(75,168)	-	78,554
Capital outlay	66,197	51,129	(15,068)	(6,748)	44,381
Total expenditures	219,919	129,683	(90,236)	(6,748)	122,935
<b>Revenues Over (Under) Expenditures</b>	(138,919)	(41,591)	97,328	6,748	(34,843)
<b>Fund Balances - July 1, 2003</b>	266,062	266,062	-	-	266,062
<b>Reserved for Encumbrances</b>	-	6,748	6,748	(6,748)	-
<b>Fund Balances - June 30, 2004</b>	<u>\$ 127,143</u>	<u>\$ 231,219</u>	<u>\$ 104,076</u>	<u>\$ -</u>	<u>\$ 231,219</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Community Development Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
Federal sources	\$ 6,013,307	\$ 2,949,746	\$ (3,063,561)	\$ -	\$ 2,949,746
Miscellaneous revenue	204,692	-	(204,692)	-	-
Total revenues	6,217,999	2,949,746	(3,268,253)	-	2,949,746
<b>Expenditures - Community improvement</b>	<u>2,492,336</u>	<u>1,196,928</u>	<u>1,295,408</u>	<u>(60,308)</u>	<u>1,136,620</u>
<b>Revenues Over (Under) Expenditures</b>	3,725,663	1,752,818	(1,972,845)	60,308	1,813,126
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	-	-	-	-	-
Operating transfers out	<u>(3,725,663)</u>	<u>(2,999,987)</u>	<u>725,676</u>	<u>1,186,861</u>	<u>(1,813,126)</u>
Total other financing sources (uses)	<u>(3,725,663)</u>	<u>(2,999,987)</u>	<u>725,676</u>	<u>1,186,861</u>	<u>(1,813,126)</u>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	-	(1,247,169)	(1,247,169)	1,247,169	-
<b>Fund Balances - July 1, 2003</b>	-	-	-	-	-
<b>Reserved for Encumbrances</b>	<u>-</u>	<u>1,247,169</u>	<u>1,247,169</u>	<u>(1,247,169)</u>	<u>-</u>
<b>Fund Balances - June 30, 2004</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Home Weatherization Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
Federal sources	\$ 251,570	\$ 158,616	\$ (92,954)	\$ -	\$ 158,616
Investment income	-	186	186	-	186
Total revenues	251,570	158,802	(92,768)	-	158,802
<b>Expenditures - Community improvement</b>	251,570	161,278	(90,292)	(2,476)	158,802
<b>Revenues Over (Under) Expenditures</b>	-	(2,476)	(2,476)	2,476	-
<b>Fund Balances - July 1, 2003</b>	-	-	-	-	-
<b>Reserved for Encumbrances</b>	-	2,476	2,476	(2,476)	-
<b>Fund Balances - June 30, 2004</b>	\$ -	\$ -	\$ -	\$ -	\$ -

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Telecommunications Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Rents and royalties	\$ 550,000	\$ 568,545	\$ 18,545	\$ -	\$ 568,545
Investment income	3,000	4,946	1,946	-	4,946
Total revenues	553,000	573,491	20,491	-	573,491
<b>Expenditures</b>					
Recreation and culture	562,595	464,338	(98,257)	(1,770)	462,568
Capital outlay	89,293	51,461	(37,832)	(11,255)	40,206
Total expenditures	651,888	515,799	(136,089)	(13,025)	502,774
<b>Revenues Over (Under) Expenditures</b>	(98,888)	57,692	156,580	13,025	70,717
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(98,888)	57,692	156,580	13,025	70,717
<b>Fund Balances - July 1, 2003</b>	482,931	482,931	-	-	482,931
<b>Reserved for Encumbrances</b>	-	13,025	13,025	(13,025)	-
<b>Fund Balances - June 30, 2004</b>	<u>\$ 384,043</u>	<u>\$ 553,648</u>	<u>\$ 169,605</u>	<u>\$ -</u>	<u>\$ 553,648</u>



# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Designated Purposes Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Charges for services	\$ 154,115	\$ 154,998	\$ 883	\$ -	\$ 154,998
Miscellaneous revenue	20,609	20,609	-	-	20,609
Investment income	1,993	1,993	-	-	1,993
Private source contributions	163,049	163,049	-	-	163,049
Total revenues	339,766	340,649	883	-	340,649
<b>Expenditures</b>					
General government	199,252	47,104	(152,148)	(12,453)	34,651
Public safety	176,857	79,520	(97,337)	(1,116)	78,404
Public works	310,299	16,875	(293,424)	-	16,875
Health and welfare	4,832	2,504	(2,328)	-	2,504
Recreation and culture	916,562	411,361	(505,201)	(120,571)	290,790
Community improvement	123	50	(73)	-	50
Total expenditures	1,607,925	557,414	(1,050,511)	(134,140)	423,274
<b>Revenues Over (Under) Expenditures</b>	(1,268,159)	(216,765)	1,051,394	134,140	(82,625)
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	294,848	294,848	-	-	294,848
Operating transfers out	(606)	-	606	-	-
Total other financing sources (uses)	294,242	294,848	606	-	294,848
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(973,917)	78,083	1,052,000	134,140	212,223
<b>Fund Balances - July 1, 2003</b>	973,917	973,917	-	-	973,917
<b>Reserved for Encumbrances</b>	-	134,140	134,140	(134,140)	-
<b>Fund Balances - June 30, 2004</b>	\$ -	\$ 1,186,140	\$ 1,186,140	\$ -	\$ 1,186,140

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Debt Service Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Taxes, assessments and penalties on taxes	\$ 2,349,926	\$ 2,369,155	\$ 19,229	\$ -	\$ 2,369,155
Investment income	25,000	24,242	(758)	-	24,242
Total revenues	2,374,926	2,393,397	18,471	-	2,393,397
<b>Expenditures</b>					
General government	199,365	51,347	(148,018)	-	51,347
Debt service:					
Principal	1,450,000	1,450,000	-	-	1,450,000
Interest and fiscal charges	813,775	1,072,128	258,353	-	1,072,128
Total expenditures	2,463,140	2,573,475	110,335	-	2,573,475
<b>Revenues Over (Under) Expenditures</b>	(88,214)	(180,078)	(91,864)	-	(180,078)
<b>Other Financing Sources (Uses)</b>					
Proceeds from issuance of long-term debt	-	8,630,000	(8,630,000)	-	8,630,000
Payment to refunded bond escrow agent	-	(8,475,000)	8,475,000	-	(8,475,000)
Total other financing sources (uses)	-	155,000	(155,000)	-	155,000
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	(88,214)	(25,078)	(63,136)	-	(25,078)
<b>Fund Balances - July 1, 2003</b>	350,940	350,940	-	-	350,940
<b>Fund Balances - June 30, 2004</b>	<u>\$ 262,726</u>	<u>\$ 325,862</u>	<u>63,136</u>	<u>\$ -</u>	<u>\$ 325,862</u>

# City of Dearborn, Michigan

## Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual Capital Projects Fund Year Ended June 30, 2004

	Final Budget	Actual on Budgetary Basis	Variance Over (Under)	Accounting Basis Adjustments	Actual
<b>Revenues</b>					
Intergovernmental revenues:					
State sources	\$ 973,603	\$ 154,308	\$ (819,295)	\$ -	\$ 154,308
Federal sources	1,031,082	325,509	(705,573)	-	325,509
Miscellaneous revenue	2,829,275	29,155	(2,800,120)	-	29,155
Private source contributions	89,000	132,000	43,000	-	132,000
Investment income	200,762	38,922	(161,840)	-	38,922
<b>Total revenues</b>	<b>5,123,722</b>	<b>679,894</b>	<b>(4,443,828)</b>	<b>-</b>	<b>679,894</b>
<b>Expenditures</b>					
Community improvement	1,969,365	1,969,365	-	-	1,969,365
Capital outlay	22,242,276	6,988,203	15,254,073	(4,512,767)	2,475,436
Debt service:					
Principal	1,015,000	1,015,000	-	-	1,015,000
Interest and fiscal charges	769,949	769,948	1	-	769,948
<b>Total expenditures</b>	<b>25,996,590</b>	<b>10,742,516</b>	<b>15,254,074</b>	<b>(4,512,767)</b>	<b>6,229,749</b>
<b>Revenues Over (Under) Expenditures</b>	<b>(20,872,868)</b>	<b>(10,062,622)</b>	<b>10,810,246</b>	<b>4,512,767</b>	<b>(5,549,855)</b>
<b>Other Financing Sources (Uses)</b>					
Operating transfers in	8,815,141	7,159,321	(1,655,820)	-	7,159,321
Operating transfers out	(116,128)	(308,889)	(192,761)	-	(308,889)
<b>Total other financing sources (uses)</b>	<b>8,699,013</b>	<b>6,850,432</b>	<b>(1,848,581)</b>	<b>-</b>	<b>6,850,432</b>
<b>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</b>	<b>(12,173,855)</b>	<b>(3,212,190)</b>	<b>8,961,665</b>	<b>4,512,767</b>	<b>1,300,577</b>
<b>Fund Balances - July 1, 2003</b>	<b>16,759,596</b>	<b>16,759,596</b>	<b>-</b>	<b>-</b>	<b>16,759,596</b>
<b>Reserved for Encumbrances</b>	<b>-</b>	<b>4,512,767</b>	<b>4,512,767</b>	<b>(4,512,767)</b>	<b>-</b>
<b>Fund Balances - June 30, 2004</b>	<b>\$ 4,585,741</b>	<b>\$18,060,173</b>	<b>\$ 13,474,432</b>	<b>\$ -</b>	<b>\$18,060,173</b>

# City of Dearborn, Michigan

## Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2004

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 16,838	\$ 528,870	\$ 87,013	\$ 632,721
Investments	354,564	5,122,424	808,097	6,285,085
Accrued interest receivable	1,019	36,995	5,836	43,850
Due from other governments	-	63	-	63
Prepaid items	15,613	39,554	34,489	89,656
Inventories	61,178	-	-	61,178
Total current assets	449,212	5,727,906	935,435	7,112,553
Noncurrent assets:				
Restricted cash and investments:				
Debt service	140,702	-	-	140,702
Capital assets (Net)	3,792,141	4,833,421	803,780	9,429,342
Total noncurrent assets	3,932,843	4,833,421	803,780	9,570,044
Total assets	4,382,055	10,561,327	1,739,215	16,682,597
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	48,107	33,657	9,340	91,104
Accrued interest payable	24,035	-	-	24,035
Accrued liabilities	22,374	9,188	-	31,562
Deposits/refunds payable	106,838	129,922	35,325	272,085
Due to other governments	5,364	-	-	5,364
Deferred revenue	30,215	1,173	389	31,777
Current portion of long-term debt	175,000	-	-	175,000
Total current liabilities	411,933	173,940	45,054	630,927
Noncurrent liabilities:				
Other liabilities	10,934	85,673	-	96,607
Long-term debt, net of current portion	2,646,500	-	-	2,646,500
Advance from other funds	143,388	-	-	143,388
Total noncurrent liabilities	2,800,822	85,673	-	2,886,495
Total liabilities	3,212,755	259,613	45,054	3,517,422
<b>Net Assets</b>				
Invested in capital assets, net of debt	970,641	4,833,421	803,780	6,607,842
Restricted for:				
Debt Service	140,702	-	-	140,702
Unrestricted	57,957	5,468,293	890,381	6,416,631
Total net assets	\$ 1,169,300	\$ 10,301,714	\$ 1,694,161	\$ 13,165,175

# City of Dearborn, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Nonmajor Enterprise Funds Year Ended June 30, 2004

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Operating Revenues</b>				
Intergovernmental revenue:				
Federal	\$ -	\$ 2,121	\$ -	\$ 2,121
Sales	580,287	-	-	580,287
Charges for services	539,268	768,807	-	1,308,075
Rents and royalties	183,772	1,794,888	564,568	2,543,228
Miscellaneous	92,188	15,445	11,090	118,723
Total operating revenues	<u>1,395,515</u>	<u>2,581,261</u>	<u>575,658</u>	<u>4,552,434</u>
<b>Operating Expenses</b>				
Personnel services	659,588	1,285,291	-	1,944,879
Contractual services	49,261	87,803	152,800	289,864
Insurance and bonds	15,730	61,605	65,710	143,045
Utilities	45,856	338,759	78,473	463,088
Repairs and maintenance	13,069	1,260,397	82,317	1,355,783
Supplies	60,180	40,489	34,695	135,364
Cost of sales	148,523	-	-	148,523
Cost of rentals	51,965	4,132	-	56,097
Taxes	-	-	78,688	78,688
Depreciation	246,725	241,866	30,964	519,555
Other	80,292	2,265	3,565	86,122
Total operating expenses	<u>1,371,189</u>	<u>3,322,607</u>	<u>527,212</u>	<u>5,221,008</u>
<b>Operating Income (Loss)</b>	24,326	(741,346)	48,446	(668,574)
<b>Nonoperating Revenues (Expenses)</b>				
Investment income	7,085	71,372	10,287	88,744
Other interest	(171,515)	-	-	(171,515)
Total nonoperating revenues (expenses)	<u>(164,430)</u>	<u>71,372</u>	<u>10,287</u>	<u>(82,771)</u>
<b>Net Income (Loss)</b>	(140,104)	(669,974)	58,733	(751,345)
<b>Net Assets - Beginning of Year</b>	<u>1,309,404</u>	<u>10,971,688</u>	<u>1,635,428</u>	<u>13,916,520</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,169,300</u>	<u>\$ 10,301,714</u>	<u>\$ 1,694,161</u>	<u>\$ 13,165,175</u>

# City of Dearborn, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2004

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 1,320,717	\$ 2,601,296	\$ 566,177	\$ 4,488,190
Payments to suppliers	(382,813)	(1,950,548)	(482,223)	(2,815,584)
Payments to employees	(661,348)	(1,283,140)	-	(1,944,488)
Internal activity	(454)	(2,626)	-	(3,080)
Other receipts (payments)	11,896	13,180	7,525	32,601
Net cash provided (used) by operating activities	287,998	(621,838)	91,479	(242,361)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(8,037)	-	-	(8,037)
Principal paid on debt	(148,500)	-	-	(148,500)
Interest paid on debt	(172,719)	-	-	(172,719)
Repayment of advance from other funds	(35,534)	-	-	(35,534)
Net cash provided (used) by capital and related financing activities	(364,790)	-	-	(364,790)
<b>Cash Flows from Investing Activities</b>				
Net sale (purchase) of investments	40,139	(23,766)	(160,079)	(143,706)
Investment income	8,465	66,382	8,519	83,366
Net cash provided (used) by investing activities	48,604	42,616	(151,560)	(60,340)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(28,188)	(579,222)	(60,081)	(667,491)
<b>Cash and Cash Equivalents - Beginning of Year</b>	45,026	1,108,092	147,094	1,300,212
<b>Cash and Cash Equivalents - End of Year</b>	\$ 16,838	\$ 528,870	\$ 87,013	\$ 632,721

# City of Dearborn, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2004

	Golf Course	Seniors Apartment Operating Fund	Dearborn Towers Fund	Total Nonmajor Enterprise Funds
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 24,326	\$ (741,346)	\$ 48,446	\$ (668,574)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	246,725	241,866	30,965	519,556
Change in assets and liabilities:				
Accounts receivable	-	28,530	-	28,530
Due from other governments	-	(63)	-	(63)
Prepaid items	(1,547)	(9,973)	8,691	(2,829)
Inventories	(5,575)	-	-	(5,575)
Accounts payable	11,900	(113,081)	1,768	(99,413)
Accrued liabilities	(3,450)	(34,309)	-	(37,759)
Customer deposits	21,146	6,963	1,342	29,451
Accrued vacation and sick leave	(1,760)	2,151	-	391
Due to other funds	(454)	(2,626)	-	(3,080)
Due to other governments	443	-	-	443
Deferred revenue	(3,756)	50	267	(3,439)
Net cash provided (used) by operating activities	<u>\$ 287,998</u>	<u>\$ (621,838)</u>	<u>\$ 91,479</u>	<u>\$ (242,361)</u>

# City of Dearborn, Michigan

## Combining Statement of Net Assets Internal Service Funds June 30, 2004

	Equipment Replacement Fund	Central Garage Fund	Workers' Compensation and Employee Benefit Fund	Fleet & General Liability Insurance Fund	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 23,477	\$ 279,550	\$ 538,816	\$ 489,672	\$ 1,331,515
Investments	227,519	2,704,301	4,431,894	4,745,462	12,109,176
Accounts receivable (Net)	-	-	7,883	-	7,883
Accrued interest receivable	1,962	19,531	32,008	34,273	87,774
Due from other funds	-	-	63,445	300,000	363,445
Prepaid items	-	15,727	-	1,015,186	1,030,913
Inventories	21,863	136,486	-	-	158,349
Total current assets	<u>274,821</u>	<u>3,155,595</u>	<u>5,074,046</u>	<u>6,584,593</u>	<u>15,089,055</u>
Noncurrent assets:					
Restricted cash and investments:					
Construction and equipment	1,984,890	-	-	-	1,984,890
Capital assets (Net)	<u>336,576</u>	<u>6,015,613</u>	<u>-</u>	<u>-</u>	<u>6,352,189</u>
Total noncurrent assets	<u>2,321,466</u>	<u>6,015,613</u>	<u>-</u>	<u>-</u>	<u>8,337,079</u>
Total assets	<u>2,596,287</u>	<u>9,171,208</u>	<u>5,074,046</u>	<u>6,584,593</u>	<u>23,426,134</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	31,447	83,492	38,138	1,281	154,358
Accrued interest payable	23,844	-	-	-	23,844
Accrued liabilities	-	8,506	-	-	8,506
Due to other funds	-	-	-	637,597	637,597
Current portion of long-term debt	<u>73,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,235</u>
Total current liabilities	<u>128,526</u>	<u>91,998</u>	<u>38,138</u>	<u>638,878</u>	<u>897,540</u>
Noncurrent liabilities:					
Long-term debt, net of current portion	1,906,765	-	-	-	1,906,765
Other liabilities	-	41,327	-	-	41,327
Claims payable	<u>-</u>	<u>-</u>	<u>2,059,936</u>	<u>2,478,751</u>	<u>4,538,687</u>
Total noncurrent liabilities	<u>1,906,765</u>	<u>41,327</u>	<u>2,059,936</u>	<u>2,478,751</u>	<u>6,486,779</u>
Total liabilities	<u>2,035,291</u>	<u>133,325</u>	<u>2,098,074</u>	<u>3,117,629</u>	<u>7,384,319</u>
<b>Net Assets</b>					
Invested in capital assets, net of debt	336,576	6,015,613	-	-	6,352,189
Unrestricted	<u>224,420</u>	<u>3,022,270</u>	<u>2,975,972</u>	<u>3,466,964</u>	<u>9,689,626</u>
Total net assets	<u>\$ 560,996</u>	<u>\$ 9,037,883</u>	<u>\$ 2,975,972</u>	<u>\$ 3,466,964</u>	<u>\$ 16,041,815</u>



# City of Dearborn, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds Year Ended June 30, 2004

	Equipment Replacement Fund	Central Garage Fund	Workers' Compensation and Employee Benefit Fund	Fleet & General Liability Insurance Fund	Total
<b>Operating Revenues</b>					
Intergovernmental revenues:					
Federal sources	\$ -	\$ 1,145	\$ -	\$ -	\$ 1,145
Charges for services	-	2,694,441	-	-	2,694,441
Rents and royalties	798,661	1,172,237	-	-	1,970,898
City contributions for insurance premiums	-	-	1,202,013	1,533,718	2,735,731
Miscellaneous	3,163	185,109	32,118	2,323,846	2,544,236
Total operating revenues	<u>801,824</u>	<u>4,052,932</u>	<u>1,234,131</u>	<u>3,857,564</u>	<u>9,946,451</u>
<b>Operating Expenses</b>					
Contractual services	-	-	1,134,688	21,011	1,155,699
Cost of sales	792,737	3,044,605	-	-	3,837,342
Depreciation	76,578	1,274,555	-	-	1,351,133
Insurance and bonds	-	-	75,144	1,060,610	1,135,754
Insurance benefits	-	-	76,414	-	76,414
Claims and judgments	-	-	449,467	2,015,143	2,464,610
Other	-	-	24,554	31,084	55,638
Total operating expenses	<u>869,315</u>	<u>4,319,160</u>	<u>1,760,267</u>	<u>3,127,848</u>	<u>10,076,590</u>
<b>Operating Income (Loss)</b>	(67,491)	(266,228)	(526,136)	729,716	(130,139)
<b>Nonoperating Revenues (Expenses)</b>					
Investment income	4,154	31,897	58,397	65,120	159,568
Other interest	(18,955)	-	-	-	(18,955)
Other expense	(9,643)	-	-	-	(9,643)
Total nonoperating revenues (expenses)	<u>(24,444)</u>	<u>31,897</u>	<u>58,397</u>	<u>65,120</u>	<u>130,970</u>
<b>Income (Loss) before Operating Transfers</b>	(91,935)	(234,331)	(467,739)	794,836	831
<b>Operating Transfers</b>					
Operating transfers in	-	371,780	-	500,000	871,780
Operating transfers out	-	-	-	-	-
Net operating transfers	<u>-</u>	<u>371,780</u>	<u>-</u>	<u>500,000</u>	<u>871,780</u>
<b>Net Income (Loss)</b>	(91,935)	137,449	(467,739)	1,294,836	872,611
<b>Net Assets - Beginning of Year</b>	652,931	8,900,434	3,443,711	2,172,128	15,169,204
<b>Net Assets - End of Year</b>	<u>\$ 560,996</u>	<u>\$ 9,037,883</u>	<u>\$ 2,975,972</u>	<u>\$ 3,466,964</u>	<u>\$ 16,041,815</u>

# City of Dearborn, Michigan

	Equipment Replacement Fund	Central Garage Fund
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 798,661	\$ 3,875,678
Payments to suppliers	(800,185)	(1,964,430)
Payments to employees	-	(1,231,968)
Internal activity	-	233,137
Claims paid	-	-
Other receipts (payments)	3,526	558,034
Net cash provided (used) by operating activities	2,002	1,470,451
<b>Cash Flows from Noncapital Financing Activities</b>		
Operating transfers in	-	-
Operating transfers out	-	-
Net cash provided (used) by noncapital financing activities	-	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from issuance of debt	1,980,000	-
Prepaid interest on debt	23,844	-
Acquisition and construction of capital assets	(103,401)	(796,877)
Net cash provided (used) by capital and related financing activities	1,900,443	(796,877)
<b>Cash Flows from Investing Activities</b>		
Net sale (purchase) of investments	(1,941,681)	(826,638)
Investment income	3,892	24,152
Net cash used by investing activities	(1,937,789)	(802,486)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(35,344)	(128,912)
<b>Cash and Cash Equivalents - Beginning of Year</b>	58,821	408,462
<b>Cash and Cash Equivalents - End of Year</b>	\$ 23,477	\$ 279,550

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2004**

Workers' Compensation and Employee Benefit Fund	Fleet & General Liability Fund	Total
\$ 1,224,998	\$ 3,557,564	\$ 9,456,901
(1,364,432)	(951,664)	(5,080,711)
-	-	(1,231,968)
(63,222)	(461,169)	(291,254)
(100,000)	(867,562)	(967,562)
19,659	(1,916,998)	(1,335,779)
(282,997)	(639,829)	549,627
-	500,000	500,000
-	-	-
-	500,000	500,000
-	-	1,980,000
-	-	23,844
-	-	(900,278)
-	-	1,103,566
(224,526)	(377,743)	(3,370,588)
51,349	58,264	137,657
(173,177)	(319,479)	(3,232,931)
(456,174)	(459,308)	(1,079,738)
994,990	948,980	2,411,253
\$ 538,816	\$ 489,672	\$ 1,331,515

# City of Dearborn, Michigan

	Equipment Replacement Fund	Central Garage Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ (96,089)	\$ (266,228)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	76,578	1,274,555
Change in assets and liabilities:		
Accounts receivable	-	9,000
Due from other funds	-	236,000
Prepaid items	-	(6,183)
Inventories	(1,296)	(11,403)
Accounts payable	22,809	(99,760)
Accrued liabilities	-	(28,895)
Accrued vacation and sick leave	-	(5,552)
Due to other funds	-	(2,863)
Due to other governments	-	-
Claims payable	-	-
Net cash provided (used) by operating activities	<u>\$ 2,002</u>	<u>\$ 1,098,671</u>

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2004**

Workers' Compensation and Employee Benefit Fund	Fleet & General Liability Fund	Total
\$ (526,136)	\$ 729,716	\$ (158,737)
-	-	1,351,133
10,526	-	19,526
(63,222)	(300,000)	(127,222)
-	(1,015,186)	(1,021,369)
-	-	(12,699)
(53,632)	(26,891)	(157,474)
-	-	(28,895)
-	-	(5,552)
-	(461,169)	(464,032)
-	1,203,117	1,203,117
<u>349,467</u>	<u>(769,416)</u>	<u>(419,949)</u>
<u>\$ (282,997)</u>	<u>\$ (639,829)</u>	<u>\$ 177,847</u>

# City of Dearborn, Michigan

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
<b>Assets</b>			
Cash and cash equivalents	\$ 1,094	\$ 5,876	\$ -
Investments - short-term	857,003	1,784,706	355,784
Receivables:			
Interest and dividends	383,576	645,548	193,651
Other	25,073	136,435	-
Investments, at fair value:			
Long-term bonds	51,613,132	82,973,098	21,498,773
Common stock	5,630,039	8,961,247	-
Collateral pledged on securities loaned	2,579,655	5,635,314	1,531,034
Real estate	3,573,143	4,305,765	1,823,867
Mutual funds	53,965,894	90,849,768	15,333,679
Limited partnerships	927,558	1,127,888	459,383
Total investments	<u>118,289,421</u>	<u>193,853,080</u>	<u>40,646,736</u>
Total assets	<u>119,556,167</u>	<u>196,425,645</u>	<u>41,196,171</u>
<b>Liabilities</b>			
Accounts payable	554,889	621,984	316,964
Deferred revenue	-	98,786	-
Securities loaned	2,579,655	5,635,314	1,531,034
Total liabilities	<u>3,134,544</u>	<u>6,356,084</u>	<u>1,847,998</u>
<b>Net Assets</b>			
Held in trust for pension benefits and other employee benefits	<u>\$ 116,421,623</u>	<u>\$ 190,069,561</u>	<u>\$ 39,348,173</u>

**Combining Statement of Net Assets**  
**Fiduciary Pension & Other Employee Benefits Funds**  
**June 30, 2004**

Employee Death Benefit Fund	Postretirement Healthcare Fund	Total
\$ 281,292	\$ 502,062	\$ 790,324
2,726,030	4,873,684	10,597,207
19,689	152,095	1,394,559
-	66,230	227,738
-	6,001,360	162,086,363
-	8,487,444	23,078,730
-		9,746,003
-	-	9,702,775
-	-	160,149,341
-	-	2,514,829
-	14,488,804	367,278,041
3,027,011	20,082,875	380,287,869
-	-	1,493,837
-	-	98,786
-	-	9,746,003
-	-	11,338,626
<u>\$ 3,027,011</u>	<u>\$ 20,082,875</u>	<u>\$ 368,949,243</u>

# City of Dearborn, Michigan

	(Closed) General Employees' Retirement System Fund	(Open) Revised Police & Fire Retirement System Fund	(Closed) Policemen's & Firemen's Retirement System Fund
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,678,859	\$ 3,876,316	\$ 1,379,770
Net increase in value of investments	12,519,829	20,060,211	3,095,617
Net investment income	<u>15,198,688</u>	<u>23,936,527</u>	<u>4,475,387</u>
Contributions:			
Employer	324,427	652,503	-
Employee	715	1,103,039	-
Total contributions	<u>325,142</u>	<u>1,755,542</u>	<u>-</u>
Total additions	15,523,830	25,692,069	4,475,387
<b>Deductions</b>			
Benefit payments	7,197,279	7,479,010	4,026,923
Refunds of contributions	439,211	216,105	-
Administrative expenses	244,085	346,149	115,948
Total deductions	<u>7,880,575</u>	<u>8,041,264</u>	<u>4,142,871</u>
<b>Change in Net Assets</b>	7,643,255	17,650,805	332,516
<b>Net Assets - Beginning of Year</b>	108,778,368	172,418,756	39,015,657
<b>Net Assets - End of Year</b>	<u>\$ 116,421,623</u>	<u>\$ 190,069,561</u>	<u>\$ 39,348,173</u>



**Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Pension & Other Employee Benefits Funds  
Year Ended June 30, 2004**

Employee Death Benefit Fund	Postretirement Healthcare Fund	Total
\$ 37,057	\$ 549,556	\$ 8,521,558
-	978,564	36,654,221
<u>37,057</u>	<u>1,528,120</u>	<u>45,175,779</u>
-	8,556,945	9,533,875
11,313	-	1,115,067
<u>11,313</u>	<u>8,556,945</u>	<u>10,648,942</u>
48,370	10,085,065	55,824,721
57,000	6,771,725	25,531,937
-	-	655,316
-	34,452	740,634
<u>57,000</u>	<u>6,806,177</u>	<u>26,927,887</u>
(8,630)	3,278,888	28,896,834
3,035,641	16,803,987	340,052,409
<u>\$ 3,027,011</u>	<u>\$ 20,082,875</u>	<u>\$ 368,949,243</u>

# City of Dearborn, Michigan

## Combining Statement of Net Assets Fiduciary Trust & Agency Funds June 30, 2004

	Trust & Agency Fund	Imprest Payroll Fund	District Court Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 859,297	\$ 164,848	\$ 75,000	\$ 1,099,145
Investments - Short-term	732,752	1,597,553	-	2,330,305
Accounts Receivable (Net)	13,045	-	182,167	195,212
Accrued interest receivable	5,292	11,538	-	16,830
Due from other governments	3,572	-	-	3,572
Total assets	<u>\$ 1,613,958</u>	<u>\$ 1,773,939</u>	<u>\$ 257,167</u>	<u>\$ 3,645,064</u>
<b>Liabilities</b>				
Accounts payable	\$ 176,900	\$ 802,364	\$ 55,800	\$ 1,035,064
Deposits/refunds payable	1,262,260	-	-	1,262,260
Due to other funds	2,152	63,445	-	65,597
Due to other governments	24,470	908,130	201,367	1,133,967
Other liabilities	148,176	-	-	148,176
Total liabilities	<u>\$ 1,613,958</u>	<u>\$ 1,773,939</u>	<u>\$ 257,167</u>	<u>\$ 3,645,064</u>

# City of Dearborn, Michigan

## Statement of Changes in Assets and Liabilities Fiduciary Trust & Agency Funds June 30, 2004

### Trust and Agency Fund:

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<b>Assets</b>				
Cash and cash equivalents	\$ 1,165,027	\$ 159,460,949	\$ 159,766,679	\$ 859,297
Investments - Short-term	789,853	732,752	789,853	732,752
Accounts Receivable (Net)	15,466	14,095	16,516	13,045
Accrued interest receivable	4,958	5,292	4,958	5,292
Due from other governments	926	3,572	926	3,572
Total assets	<u>\$ 1,976,230</u>	<u>\$ 160,216,660</u>	<u>\$ 160,578,932</u>	<u>\$ 1,613,958</u>
<b>Liabilities</b>				
Accounts payable	\$ 144,424	\$ 1,056,323	\$ 1,023,847	\$ 176,900
Deposits/refunds payable	1,574,338	5,739,083	6,051,161	1,262,260
Special programs	-	96,976	96,976	-
Due to other funds	39,036	2,152	39,036	2,152
Due to other governments	67,667	153,101,316	153,144,513	24,470
Other liabilities	150,765	220,810	223,399	148,176
Total liabilities	<u>\$ 1,976,230</u>	<u>\$ 160,216,660</u>	<u>\$ 160,578,932</u>	<u>\$ 1,613,958</u>

### Imprest Payroll Fund:

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<b>Assets</b>				
Cash and cash equivalents	\$ 74,152	\$ 67,342,445	\$ 67,251,749	\$ 164,848
Investments - Short-term	341,285	1,597,553	341,285	1,597,553
Accrued interest receivable	2,142	11,538	2,142	11,538
Total assets	<u>\$ 417,579</u>	<u>\$ 68,951,536</u>	<u>\$ 67,595,176</u>	<u>\$ 1,773,939</u>
<b>Liabilities</b>				
Payroll deductions payable	\$ 178,760	\$ 36,009,453	\$ 35,385,849	\$ 802,364
Due to other funds	223	12,072,079	12,008,857	63,445
Due to other governments	238,596	17,636,936	16,967,402	908,130
Other liabilities	-	3,233,068	3,233,068	-
Total liabilities	<u>\$ 417,579</u>	<u>\$ 68,951,536</u>	<u>\$ 67,595,176</u>	<u>\$ 1,773,939</u>

# City of Dearborn, Michigan

## Statement of Changes in Assets and Liabilities Fiduciary Trust & Agency Funds June 30, 2004

### District Court Fund:

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<b>Assets</b>				
Cash and cash equivalents	\$ 75,000	\$ 4,309,184	\$ 4,309,184	\$ 75,000
Accounts Receivable (Net)	163,303	1,157,141	1,138,277	182,167
Total assets	<u>\$ 238,303</u>	<u>\$ 5,466,325</u>	<u>\$ 5,447,461</u>	<u>\$ 257,167</u>
<b>Liabilities</b>				
Accounts payable	\$ 55,800	\$ 3,047,785	\$ 3,047,785	\$ 55,800
Due to other governments	182,503	2,418,540	2,399,676	201,367
Total liabilities	<u>\$ 238,303</u>	<u>\$ 5,466,325</u>	<u>\$ 5,447,461</u>	<u>\$ 257,167</u>

### Total - All Fiduciary Trust and Agency Funds:

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
<b>Assets</b>				
Cash and cash equivalents	\$ 1,314,179	\$ 231,112,578	\$ 231,327,612	\$ 1,099,145
Investments - Short-term	1,131,138	2,330,305	1,131,138	2,330,305
Accounts Receivable (Net)	178,769	1,171,236	1,154,793	195,212
Accrued interest receivable	7,100	16,830	7,100	16,830
Due from other governments	926	3,572	926	3,572
Total assets	<u>\$ 2,632,112</u>	<u>\$ 234,634,521</u>	<u>\$ 233,621,569</u>	<u>\$ 3,645,064</u>
<b>Liabilities</b>				
Accounts payable	\$ 200,224	\$ 4,104,108	\$ 4,071,632	\$ 232,700
Payroll deductions payable	178,760	36,009,453	35,385,849	802,364
Deposits/refunds payable	1,574,338	5,739,083	6,051,161	1,262,260
Special programs	-	96,976	96,976	-
Due to other funds	39,259	12,074,231	12,047,893	65,597
Due to other governments	488,766	173,156,792	172,511,591	1,133,967
Other liabilities	150,765	3,453,878	3,456,467	148,176
Total liabilities	<u>\$ 2,632,112</u>	<u>\$ 234,634,521</u>	<u>\$ 233,621,569</u>	<u>\$ 3,645,064</u>

## **Statistical Section**

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The statistical section presents comparative supplemental data on general governmental expenditures by function; general governmental revenues by source; statement of property taxes levied, collected and outstanding; adjusted assessed value and estimated full value; statement of property tax rates (all taxing units); principal taxpayers; special assessment billings and collections; computation of legal debt margin; ratio of net general obligation bonded debt; ratio of annual debt service expenditures; computation of direct and overlapping bonded debt; revenue bond coverages; demographic statistics; property value, construction and bank deposits; and labor force statistics.

# City of Dearborn, Michigan

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Fiscal Year	General Government	Public Safety	Public Works	Health & Welfare	Recreation & Culture
2004	\$ 17,137,937	\$ 40,209,968	\$ 19,752,523	\$ 898,637	\$ 15,719,462
2003	16,607,919	39,361,005	18,421,532	985,036	15,490,932
2002	19,636,300	38,231,734	21,290,195	1,245,330	15,577,675
2001	15,640,548	35,558,210	16,169,564	1,481,841	12,172,084
2000	14,790,708	34,656,797	17,895,920	1,753,200	10,847,849
1999	14,603,777	33,714,411	16,634,184	1,781,441	11,441,459
1998	16,041,650	33,369,633	14,960,691	1,486,508	10,093,579
1997	14,822,333	32,056,716	13,707,848	1,369,790	10,202,842
1996	17,118,468	30,383,819	13,759,803	1,286,123	10,431,717
1995	13,346,077	30,412,111	11,893,219	1,308,678	9,997,518

(1) Includes General, Special Revenue and Debt Service Funds.

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**Governmental Expenditures by Function (1)**  
**Last Ten Fiscal Years**

Utilities	Capital Outlay/Projects	Community Improvement	Debt Service	Total
\$ 3,840,690	\$ 1,644,692	\$ 4,017,796	\$ 2,522,128	\$ 105,743,833
3,987,263	2,007,908	2,097,139	2,257,675	101,216,409
3,670,306	1,940,329	2,044,095	2,263,125	105,899,089
3,667,627	3,863,793	1,850,578	2,210,975	92,615,220
3,197,104	6,754,395	2,176,281	2,177,625	94,249,879
3,372,766	3,089,470	2,168,819	2,067,224	88,873,551
3,231,120	4,022,101	2,236,427	-	85,441,709
3,300,035	3,421,016	1,836,871	1,275,251	81,992,702
3,506,222	2,999,269	1,952,378	1,398,752	82,836,551
3,450,935	2,652,809	2,170,909	1,503,200	76,735,456

# City of Dearborn, Michigan

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Fiscal Year	Tax Assessments & Penalty	Payments in Lieu of Taxes	Licenses & Permits	Inter- governmental	Charges for Services
2004	\$ 70,148,820	\$ 1,076,656	\$ 3,012,402	\$ 21,204,146	\$ 9,910,066
2003	67,511,503	1,024,090	2,567,285	21,049,022	8,576,251
2002	64,372,548	995,611	2,194,914	22,735,774	7,807,213
2001	61,926,600	1,439,085	3,738,384	20,368,302	5,685,870
2000	60,668,500	489,324	3,011,125	23,246,635	6,165,817
1999	59,673,187	881,664	3,581,248	22,864,590	5,520,853
1998	55,636,265	368,142	3,535,801	20,683,305	5,419,994
1997	53,598,691	416,100	2,807,771	17,454,317	4,620,493
1996	51,515,879	374,506	2,281,597	18,218,005	4,708,621
1995	48,503,952	372,715	2,415,215	16,458,871	4,076,510

(1) Includes General, Special Revenue and Debt Service Funds.

(2) Includes \$384,150 of private contributions to the Designated Purposes Fund.



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**Governmental Revenues by Source (1)**  
**Last Ten Fiscal Years**

Fines & Forfeitures	Miscellaneous		Rents & Royalties	Interest	Total
\$ 3,722,143	\$ 2,244,736		\$ 4,860,730	\$ 1,032,094	\$ 117,211,793
4,093,236	2,336,187		4,824,692	1,418,769	113,401,035
4,951,743	2,204,916		4,441,195	2,247,319	111,951,233
4,242,159	1,562,846	(2)	3,881,396	4,798,978	107,643,620
3,830,334	1,093,404		3,640,486	4,326,542	106,472,167
3,813,800	2,937,016		3,730,243	3,819,643	106,822,244
3,684,662	1,808,351		3,345,316	3,586,036	98,067,872
3,566,059	1,338,068		3,343,998	3,179,260	90,324,757
3,242,528	1,736,122		2,997,207	3,093,404	88,167,869
3,489,659	977,315		3,291,455	2,898,823	82,484,515

# City of Dearborn, Michigan

Collection Period July 1 to February 28	Tax Year	Tax Levy as Adjusted	Collections Respective Tax Year	Percent Collected	Delinquent Tax
2003-2004	2003	\$ 64,668,527	\$62,830,392	97.2%	\$ 1,838,135
2002-2003	2002	63,690,538	61,096,759	95.9%	2,593,779
2001-2002	2001	60,993,513	59,572,542	97.7%	1,420,971
2000-2001	2000	58,709,163	57,383,776	97.7%	1,325,387
1999-2000	1999	57,839,175	56,724,431	98.1%	1,114,744
1998-99	1998	56,114,743	54,739,079	97.5%	1,375,664
1997-98	1997	54,261,356	53,261,910	98.2%	999,446
1996-97	1996	52,438,176	51,574,376	98.4%	863,800
1995-96	1995	50,130,245	49,284,924	98.3%	845,321
1994-95	1994	48,040,031	46,631,819	97.1%	1,408,212

Tax Year	Delinquent Tax	Collections		
		Fiscal Year 2003-2004	Prior Fiscal Years	Total
2003	\$ 1,838,135	\$ 81,939	\$ -	\$ 81,939
2002	2,593,779	1,678,251	167,976	1,846,227
2001	1,420,971	140,094	1,456,097	1,596,191
2000	1,325,387	19,719	1,372,155	1,391,874
1999	1,114,744	255	1,096,737	1,096,992
1998	1,375,664	5,519	1,316,494	1,322,013
1997	999,446	178	966,421	966,599
1996	863,800	-	901,939	901,939
1995	845,321	-	799,361	799,361
1994	1,408,212	-	1,439,916	1,439,916

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**Statement of Property Taxes Levied, Collected and Outstanding**  
**June 30, 2004**

Delinquent Tax Collections	Delinquent Balance as of June 30, 2004	Cumulative Collections (Current and Delinquent)	Percent Collected
\$ (3,977)	\$ 1,842,112	\$ 62,826,415	97.2%
1,532,426	1,061,353	62,629,185	98.3%
1,297,399	123,572	60,869,941	99.8%
1,281,306	44,081	58,665,082	99.9%
1,028,584	86,160	57,753,015	99.9%
1,297,583	78,081	56,036,662	99.9%
965,335	34,111	54,227,245	99.9%
812,318	51,482	52,386,694	99.9%
845,321	-	50,130,245	100.0%
1,408,212	-	48,040,031	100.0%

Adjustments	Delinquent Balance as of June 30, 2004
\$ 85,916	\$ 1,842,112
313,801	1,061,353
298,792	123,572
110,568	44,081
68,408	86,160
24,430	78,081
1,264	34,111
89,621	51,482
(45,960)	-
31,704	-

# City of Dearborn, Michigan

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Fiscal Year	Real Property	Personal Property	Total	Settlement Reduction (1)
2004	\$ 3,399,093,627	\$ 1,231,677,660	\$ 4,630,771,287	\$ -
2003	3,268,852,100	1,284,051,700	4,552,903,800	-
2002	2,968,921,732	1,339,847,290	4,308,769,022	-
2001	2,826,497,799	1,288,684,550	4,115,182,349	-
2000	2,677,241,416	1,359,409,050	4,036,650,466	-
1999	2,609,061,471	1,328,309,454	3,937,370,925	-
1998	2,489,679,988	1,304,871,500	3,794,551,488	-
1997	2,417,775,834	1,241,402,900	3,659,178,734	-
1996	2,452,849,944	1,263,958,475	3,716,808,419	243,497,850
1995	2,385,214,701	1,205,753,500	3,590,968,201	250,091,200

- (1) A settlement was reached with Rouge Steel Company, which resulted in a decrease in the assessed value of real and personal property.

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**Adjusted Assessed Value and Estimated Full Value of Taxable Property  
Last Ten Fiscal Years**

Total After Settlement	Full Value After Settlement	Percentage Assessed to Full Value
\$ 4,630,771,287	\$ 9,261,542,574	50%
4,552,903,800	9,105,807,600	50%
4,308,769,022	8,617,538,044	50%
4,115,182,349	8,230,364,698	50%
4,036,650,466	8,073,300,932	50%
3,937,370,925	7,874,741,850	50%
3,794,551,488	7,589,102,976	50%
3,659,178,734	7,318,357,468	50%
3,473,310,569	6,946,621,138	50%
3,340,877,001	6,681,754,002	50%

# City of Dearborn, Michigan

## Direct and Overlapping Government Schedule of Tax Rates (All Taxing Units) (per thousand dollars of state equalized valuation)

Year	City Tax	School Tax Nonhomestead School Tax	Homestead School Tax	State Education Tax (1)	County Tax	Total Nonhomestead Tax	Total Homestead Tax
<b>Dearborn School District</b>							
2003	15.29	27.9839	15.8760	5.00	8.6361	56.9100	44.8021
2002	15.32	27.7778	15.8825	6.00	8.6390	57.7368	45.8415
2001	15.33	24.3688	12.4735	6.00	8.3905	54.0893	42.1940
2000	15.33	24.3724	12.4771	6.00	8.4039	54.1063	42.2110
1999	15.28	24.4230	12.5720	6.00	8.4572	54.1602	42.3092
1998	15.38	24.4771	12.6471	6.00	8.4825	54.3396	42.5096
1997	14.78	24.6271	12.7971	6.00	8.4826	53.8897	42.0597
1996	14.78	24.7671	12.9371	6.00	8.4826	54.0297	42.1997
1995	14.78	24.6571	12.8271	6.00	8.2326	53.6697	41.8397
1994	14.78	22.00	10.17	6.00	9.8997	52.6797	40.8497
<b>Westwood School District</b>							
2003	15.29	24.3127	6.3433	5.00	11.1223	55.7250	37.7556
2002	15.32	24.3363	6.3669	6.00	11.1252	56.7815	38.8121
2001	15.33	22.9111	4.9129	6.00	10.8900	55.1311	37.1329
2000	15.33	22.9498	4.9498	6.00	9.4039	53.6837	35.6837
1999	15.28	22.9840	4.9840	6.00	9.4762	53.7402	35.7402
1998	15.38	22.9971	4.9971	6.00	9.6314	54.0085	36.0085
1997	14.78	22.9971	4.9971	6.00	9.6739	53.4510	35.4510
1996	14.78	22.9971	4.9971	6.00	9.6845	53.4616	35.4616
1995	14.78	22.9971	4.9971	6.00	9.5064	53.2835	35.2835
1994	14.78	18.00	-	6.00	11.1735	49.9535	31.9535

Tax due dates: City and Dearborn School District - July 1  
County and Westwood School District - December 1

(1) State Education Tax is applied to both Homestead and Nonhomestead property.

In the year 1995, 1.9971 mills for Region Education Service Agency (RESA) was collected with school taxes.  
In 1994, RESA was collected with county taxes.

# City of Dearborn, Michigan

## Principal Taxpayers June 30, 2004

Taxpayer	Type of Business	2003 Taxable Valuation	Percentage of Total Taxable Valuation
Ford Motor Company	Auto and financial services	\$ 1,260,417,298	27.22%
Rouge Steel Company	Steel company	163,017,945	3.52%
Dearborn Industrial Generation	Electric Generation	136,815,225	2.95%
Visteon	Auto parts	70,116,827	1.51%
Fairlane Town Center	Shopping mall	47,879,350	1.03%
Hallwood Management Co.	Realty company	42,356,574	0.91%
Detroit Edison	Electric utility	41,773,912	0.90%
AAA of Michigan	Insurance	36,829,816	0.80%
Fleet Business Credit		29,368,150	0.63%
Lear Corporation	Auto supplies	21,944,106	0.47%
Total taxable value of 10 largest taxpayers		1,850,519,203	39.94%
Total taxable value of all other taxpayers		2,780,252,084	60.06%
Total taxable value of all taxpayers		<b>\$ 4,630,771,287</b>	<b>100.00%</b>

# City of Dearborn, Michigan

## Special Assessment Billings and Collections Last Ten Fiscal Years

Fiscal Year	Special Assessment Billings	Special Assessments Collections (1)
2004	\$ 348,456	\$ 507,791
2003	476,259	266,149
2002	241,692	334,856
2001	260,282	480,040
2000	784,485	423,262
1999	285,890	245,883
1998	479,286	220,511
1997	274,511	259,771
1996	264,871	265,928
1995	13,310	64,683

(1) Includes prepayments and foreclosures.



# City of Dearborn, Michigan

## Computation of Legal Debt Margin June 30, 2004

Assessed valuations at December 31, 2003	\$ 4,861,255,998
Assessed value equivalent of Single Business Tax (1)	<u>(127,102,540)</u>
Total assessed value	<u><b>\$ 4,734,153,458</b></u>
Legal debt margin:	
Debt limitation - 10 percent of total assessed value	\$ 473,415,346
Debt applicable to limitation:	
Total bonded debt	\$ 75,224,906
Less: Revenue bonds	(26,723,563)
Amount available for repayment of general obligation bonds	<u>(325,862)</u>
Total debt applicable to limitation	<u>48,175,481</u>
Legal debt margin	<u><b>\$ 425,239,865</b></u>

- (1) This represents the assessed value of the amount paid by the state to the City during the fiscal year for the City's use pursuant to Sections 134 and 136 (1), (2), and (3) of the Single Business Tax Act, (Act No. 228 of the Public Acts of 1975, being sections 209.134 and 208.136 of the Michigan Compiled Laws).

# City of Dearborn, Michigan

## Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita Last Ten Fiscal Years

Fiscal Year	Population (1)	Adjusted Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Debt Payable from Enterprise Revenues (2)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2004	97,775	\$ 4,630,771,287	\$ 75,224,908	\$ 325,862	\$ 41,613,191	\$ 33,285,855	0.72%	340
2003	97,775	4,552,903,800	64,099,410	350,940	30,346,520	33,401,950	0.73%	341
2002	97,775	4,308,769,022	62,992,766	291,545	26,902,725	35,798,496	0.83%	366
2001	97,775	4,115,182,349	66,805,210	247,348	28,505,281	38,052,581	0.92%	389
2000	92,600	4,036,650,466	70,487,397	198,553	30,141,632	40,147,212	0.99%	434
1999	95,660	3,937,370,925	73,823,731	349,824	31,688,083	41,785,824	1.06%	437
1998	93,400	3,794,551,488	76,797,693	77,195	33,242,393	43,478,105	1.15%	466
1997	84,306	3,659,178,734	45,756,075	-	34,246,789	11,509,286	0.31%	137
1996	84,858	3,473,310,569	46,350,870	-	34,493,727	11,857,143	0.34%	140
1995	85,881	3,340,877,001	34,171,641	-	34,171,641	-	-	-

(1) Estimates by the Southeast Michigan Council of Governments for 1995-1997. Years 1998-2000 the source is Sales and Marketing Management. Year 2001, 2002, 2003 and 2004 are actual Bureau of Census 2000 census data.

(2) This amount is for payment of 1990, 1994, 1995, 2002 and 2004 Sewer Revenue Bonds and Municipal Building Authority General Obligation Limited Tax bonds Series 1998.

# City of Dearborn, Michigan

## Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total Governmental Expenditures Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Debt Service	Total Governmental Expenditures (1)	Ratio of Debt Service to Governmental Expenditures
2004	\$ 2,465,000	\$ 1,842,076	\$ 4,307,076	\$ 103,774,468	4.2%
2003	2,340,000	1,707,568	4,047,568	101,216,409	4.0%
2002	2,215,000	1,839,548	4,054,548	105,899,089	3.8%
2001	2,050,000	1,961,452	4,011,452	92,615,220	4.3%
2000	1,910,000	2,074,138	3,984,138	94,249,879	4.2%
1999	1,310,000	2,208,006	3,518,006	88,873,551	4.0%
1998	380,000	641,102	1,021,102	85,441,709	1.2%
1997	355,000	671,025	1,026,025	81,992,702	1.3%
1996	-	388,472	388,472	82,836,551	0.5%
1995	-	-	-	76,735,456	-

(1) Includes General, Special Revenue and Debt Service Funds.

# City of Dearborn, Michigan

## Computation of Direct and Overlapping Bonded Debt General Obligation Bonds June 30, 2004

Jurisdiction	Net Bonded Debt Outstanding	Percentage Applicable to Government	Amount Applicable to Government	Per Capita
Direct - City of Dearborn	\$ 33,611,717	100%	\$ 33,611,717	344
Overlapping (1):				
Dearborn School District	219,402,000		209,199,807	2,140
Westwood School District	455,000		30,394	-
Wayne County at Large	122,525,993		11,676,727	120
Wayne County Community College	<u>76,105,000</u>		<u>53,274</u>	<u>-</u>
Total Overlapping Debt	<u>418,487,993</u>		<u>220,960,202</u>	<u>2,260</u>
Grand Total	<u>\$ 452,099,710</u>		<u>\$ 254,571,919</u>	<u>2,604</u>

(1) Overlapping debt figures supplied by the Municipal Advisory Council of Michigan.

# City of Dearborn, Michigan

## Sewage Disposal System Limited Tax Revenue Bonds Revenue Bond Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirement			Coverage
				Principal	Interest	Total	
2004	\$18,858,158	\$ 15,072,744	\$ 3,785,414	\$ 1,640,000	\$ 1,158,476	\$ 2,798,476	135%
2003	16,409,603	13,368,916	3,040,687	1,330,000	1,187,154	2,517,154	121%
2002	16,114,625	12,798,449	3,316,176	1,265,000	1,206,391	2,471,391	134%
2001	15,711,210	11,690,400	4,020,810	1,505,000	1,291,876	2,796,876	144%
2000	17,338,960	11,441,651	5,897,309	1,425,000	1,377,498	2,802,498	210%
1999	14,432,112	9,549,518	4,882,594	1,357,374	1,461,463	2,818,837	173%
1998	12,862,727	9,710,085	3,152,642	1,310,000	1,535,816	2,845,816	111%
1997	12,631,450	9,527,133	3,104,317	1,213,720	1,599,435	2,813,155	110%
1996	12,667,950	8,810,691	3,857,259	180,000	1,628,081	1,808,081	213%
1995	10,449,998	8,817,187	1,632,811	175,000	101,318	276,318	591%

(1) Total operating expenses exclusive of depreciation.

# City of Dearborn, Michigan

## Demographic Statistics Last Ten Fiscal Years

Year Ended December 31	Population (1)	EBI Income (2)	Median Age (3)	Public School Enrollment (4)	Average Annual Unemployment Rate (5)	(6)
2004	97,775	N/A	N/A	17,668	4.5%	
2003	97,775	N/A	N/A	17,566	4.3%	
2002	97,775	N/A	N/A	17,632	3.5%	
2001	97,775	N/A	N/A	17,147	2.9%	
2000	92,600	44,560	34.0	17,222	1.9%	
1999	95,600	N/A	N/A	16,699	2.0%	
1998	93,400	39,778	N/A	16,271	2.1%	
1997	84,306	38,592	N/A	15,893	2.3%	
1996	84,858	38,578	N/A	15,669	2.5%	
1995	85,881	42,710	36.9	14,995	2.9%	

(1) Estimates by the Southeast Michigan Council of Governments for calendar years 1995-1997. Years 1998-2000 the source is Sales and Marketing Management. Year 2001-2004 is actual Bureau of Census data.

(2) Effective buying income on a calendar year basis from Sales and Marketing Management. Some of the information is not available.

(3) Some of the information is not available.

(4) Provided by Dearborn Board of Education. Based on school district boundary. Grades K-12, plus special education.

(5) As reported by the Michigan Employment Security Commission.

(6) Year 2004 is a nine-month average rate (January through September).

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# City of Dearborn, Michigan

Fiscal Year	Property Value		
	Industrial & Commercial	Residential	Total
2004	N/A	N/A	\$ 3,399,093,627
2003	N/A	N/A	3,268,852,100
2002	1,245,955,436	1,722,966,296	2,968,921,732
2001	1,197,164,713	1,629,333,086	2,826,497,799
2000	1,121,915,481	1,555,325,935	2,677,241,416
1999	1,115,532,461	1,493,529,010	2,609,061,471
1998	1,056,604,574	1,433,075,414	2,489,679,988
1997	1,033,569,574	1,384,206,260	2,417,775,834
1996	1,008,054,642	1,353,842,502	2,361,897,144
1995	979,566,350	1,314,695,551	2,294,261,901
1994	1,049,882,750	1,254,328,703	2,304,211,453

(1) From Federal Deposit Insurance Corporation (FDIC) website.



**Property Values, Construction and Bank Deposits  
Last Ten Fiscal Years**

Construction/Alterations				Bank Deposits	
Commercial - Number of Permits	Value	Residential - Number of Permits	Value	(\$000)	(1)
356	\$137,311,047	1,959	\$26,701,877	\$	N/A
267	70,496,653	2,604	54,500,675		1,684,738
740	80,593,025	1,745	27,532,421		1,679,984
860	240,929,749	3,166	35,738,294		1,729,003
920	163,725,721	5,662	42,484,562		1,748,663
971	194,291,713	5,861	42,268,183		1,675,173
843	192,429,318	5,908	49,588,555		1,690,548
979	120,526,994	5,512	37,581,343		1,668,254
796	73,066,443	5,408	33,738,518		1,700,092
885	103,008,899	5,814	31,263,604		1,651,296
849	148,440,600	5,502	34,256,729		1,631,142

# City of Dearborn, Michigan

**Labor Force  
June 30, 2004**

A Breakdown of the number of employees of the City of Dearborn and their affiliation with organized groups is as follows:

Employees	Number	Affiliation	Contract Expiration
Supervisors and technicians	90	Sup./Tech. & Prof. Emo. Union	6/30/04
Operative	144	Teamsters Local #214	6/30/04
Clerical workers	131	Muni. Workers of Dearborn - Clerical	6/30/04
Supervisory police	30	Dearborn Police Supr., Assoc. Lieut. & Sgt.	6/30/05
Nonsupervisory police	155	Nonsupervisory police	6/30/03
Dispatchers	15	Dispatchers	6/30/04
Dispatch supervisors	5	Supervisor dispatchers	6/30/04
Administrator	55	Exec. & Admin. Unit	N/A
Firefighters	120	Intl. Assoc. of Firefighters	6/30/06
Police inspectors	3	Police inspectors	N/A tied to supervisory police
19th District Court	34	19th District Court	6/30/04
Elected and appointed officials	22	Nonaffiliated	N/A
Total	804		

# **City of Dearborn, Michigan**

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## **Federal Awards Supplemental Information June 30, 2004**

# City of Dearborn, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Dearborn, Michigan

We have audited the basic financial statements of the City of Dearborn, Michigan for the year ended June 30, 2004 and have issued our report thereon dated October 15, 2004. Those basic financial statements are the responsibility of the management of the City of Dearborn, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Dearborn, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 15, 2004

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Basic Financial Statements

To the Honorable Mayor and  
Members of the City Council  
City of Dearborn, Michigan

We have audited the financial statements of the City of Dearborn, Michigan as of and for the year ended June 30, 2004 and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Dearborn, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Honorable Mayor and  
Members of the City Council  
City of Dearborn, Michigan

This report is intended solely for the information and use of the Finance Committee, City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 15, 2004

Report Letter on Compliance with Laws and Regulations and  
Internal Control - Major Federal Awards

To the Honorable Mayor and  
Members of the City Council  
City of Dearborn, Michigan

**Compliance**

We have audited the compliance of the City of Dearborn, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. The major federal programs of the City of Dearborn, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dearborn, Michigan's management. Our responsibility is to express an opinion on the City of Dearborn, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dearborn, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Dearborn, Michigan's compliance with those requirements.

In our opinion, the City of Dearborn, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.



To the Honorable Mayor and  
Members of the City Council  
City of Dearborn, Michigan

## **Internal Control Over Compliance**

The management of the City of Dearborn, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dearborn, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Finance Committee, City Council, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

October 15, 2004

# City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Energy - Passed through the Michigan Family Independence Agency - Weatherization Program	81.042	\$ 87,141
U.S. Department of Health and Human Services - Passed through the Michigan Family Independence Agency - Home Weatherization Program	93.568	71,661
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant	14.218	2,866,338
Emergency Shelter Grant	14.231	94,161
Passed through Michigan State Housing Development Authority - Home Investment Partnerships Program - Home Resource Fund	14.239	83,408
Total U.S. Department of Housing and Urban Development		3,043,907
U.S. Environmental Protection Agency:		
Passed through the County of Wayne, Michigan:		
Ford Field Retrofit and Stream Valley Improvements	66.606	45,130
East Dearborn CSO Control	66.606	3,326
Downspout Disconnection Program	66.606	20,449
Passed through Michigan Department of Environmental Quality - State Revolving Fund Loan - Miller Pump Station	66.458	308,486
Total U.S. Environmental Protection Agency		377,391
Federal Transit Administration - Passed through the Michigan Department of Transportation - Rail Passenger Station Development Grant	20.500	63,449
Federal Emergency Management Agency - Passed through the Michigan Department of State Police:		
Civil Preparedness Program	83.503	17,539
Blackout Emergency Public Assistance	97.036	102,260
Total Federal Emergency Management Agency		119,799

# City of Dearborn, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Direct programs:		
Local Law Enforcement Block Grant Program	16.592	\$ 122,192
Bulletproof Vest Program	16.607	220
COPS MORE Technology Grant	16.710	4,550
Homeland Security Overtime Program	16.710	23,063
Crime Lab Improvement Program	16.564	32,059
Equitable Sharing of Federally Forfeited Property	16.000	178,677
Passed through the Department of Community Health, Office of Drug Control Policy - Brynne Memorial Formula Grant Program	16.579	38,999
Passed through the Michigan Family Independence Agency - Juvenile Accountability Block Grant	16.523	8,927
Passed through the Michigan Department of State Police:		
2003 State Homeland Security Grant Program Pt II Training Grant	97.004	4,827
2003 State Homeland Security Grant Program Pt II Assessment and Strategy Grant	97.004	<u>5,255</u>
Total U.S. Department of Justice		418,769
U.S. Department of Transportation - Passed through the Michigan Department of State Police and the Downriver Community Conference - Drive Michigan Safely Task Force	20.600	17,595
Passed through the Michigan Department of Transportation - Improvements - Schaefer Rd. from Rouge River to Tireman (Jobs 43686A, 43687A, 74481A, and 74442A)	20.205	<u>337,850</u>
Total U.S. Department of Transportation		<u>355,445</u>
Total federal awards		<u><u>\$ 4,537,562</u></u>

# City of Dearborn, Michigan

## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2004**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 3,995,885
Add federal money recorded as contribution revenue	23,775
Add federal money recorded as a pass-through activity in Trust and Agency Funds	94,161
Add federal money received from a State Revolving Fund loan that is recorded as a liability	308,486
Add federal money classified as fines and forfeiture revenue on the financial statements	178,677
Add federal revenue classified as miscellaneous revenue on the financial statements	231,427
Add grant receivable not recorded under modified accrual accounting	18,198
Add interest revenue that reduces federal revenue receivable	186
Subtract revenue for prior year expenditures received in current year	<u>(313,233)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><b>\$ 4,537,562</b></u>

# City of Dearborn, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2004

### Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Dearborn, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

**Summary of Noncash Assistance** - The grantee received the following noncash assistance during the year ended June 30, 2004 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture	10.569	Emergency Food Distribution Program	\$ 6,594

### Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 70,761
Emergency Shelter Grant	14.231	66,566
Total		<u>\$ 137,327</u>

# City of Dearborn, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2004

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	U.S. Department of Housing and Urban Development - Community Development Block Grant
20.205	Michigan Department of Transportation - Improvements - Schaefer Road from Rouge River to Tireman

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# **City of Dearborn, Michigan**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2004**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None

October 15, 2004

Honorable Mayor and Members of the City Council  
City of Dearborn  
City Hall Annex West  
4500 Maple  
Dearborn, MI 48126

Dear Mayor and Council Members:

We have recently completed our audit of the basic financial statements of the City of Dearborn for the year ended June 30, 2004. In addition to our audit report, we offer the following comments and recommendations for your consideration:

#### **INTERNAL CONTROL ITEMS**

##### *Dearborn Hills Golf Course*

In addition to our normal audit procedures, we observe the cash handling procedures at a selected remote location. This year, the Dearborn Hills Golf Course was selected as the location to be tested. Our procedures include interviews of personnel, review of documentation and performance of system walkthroughs. As a result of our procedures, we noted two matters relating to internal controls.

The manager and assistant recreation supervisor have access to the cash drawer and the safe; they run the cash reports, count the cash, reconcile the drawer, fill out the deposit slip, and take the cash to the bank. Although staffing at the golf course is limited and segregation of duties is difficult to achieve, management should consider if these functions can practically be separated.

In any retail environment, voided transactions and "no sale" transactions can provide the opportunity for misappropriation of assets. The golf course currently has a system of reviews over such transactions. However, we would also recommend that the number and frequency of such transactions be documented to evidence the review that is occurring and to provide management with historical information and trends regarding these transactions.

##### *Water and Sewer Billings*

As part of the billing process, an employee will edit the billing records prior to running the final consumption report and generating the bills. We recommend that all edits be reviewed by an individual who does not have edit capabilities. This oversight will improve the controls and reduce the risk of inappropriate adjustments.



### Bank Account Reconciliations

During our testing, we noted that there was not consistent signing off done on bank reconciliations by preparers and reviewers. It is our understanding that the City implemented a new form to document the preparation and review of bank reconciliations in May 2004. Because bank reconciliations are such a vital component of the City's internal control systems, we encourage the City to continue its efforts in this area.

### Federal Awards

One of the Federal programs tested in our audit of the City's Federal revenue was the Community Development Block Grant. Under this award, certain construction projects must comply with Davis-Bacon requirements. One of the requirements of Davis-Bacon is that contractors pay the appropriate prevailing wage. During our testing of two projects, we noted that the contractor had signed off as having reviewed the payroll for Davis-Bacon compliance. However, no individual from the City signed off to certify that the right pay rates were used and the correct dollar amount was being paid out to workers. We recommend that an individual from the City evidence review of each payroll by signing off.

### Internal Control and Fraud Prevention

Designing and maintaining a sound system of internal controls over assets as well as fraud prevention and detection are in the forefront in today's business environment, particularly following the publicized accounting scandals (Enron, Worldcom, etc.). As part of our audit of the City's 2004 financial statements, we performed additional procedures as required by Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit* (SAS 99). While SAS 99 does not change the focus of the financial statement audit to a "fraud audit," the new standard incorporates a change in mindset for auditors to search for and identify significant fraud risk factors. SAS 99 requires auditors to perform specific procedures to search for significant fraud risk factors, including inquiries with individuals outside of the City's Finance Department; a retrospective review of accounting estimates; a detailed review of all journal entries; and other related procedures.

We encourage the City to continue its own efforts to reduce the risk of fraud, which can be done through a combination of prevention, deterrence, and detection measures. Fraud is often difficult to detect because it frequently involves concealment through falsification of documents or collusion among management, employees, or third parties. Fraud prevention and deterrence measures are typically much less costly than the time and expense required for fraud detection and investigation. SAS 99 includes an appendix, *Management Antifraud Programs and Controls, and Guidance to Help Prevent, Deter, and Detect Fraud*, which discusses the fundamental elements of measures to prevent, deter and detect fraud. Please contact us if you would like assistance in obtaining this important document. Additionally, while internal audit programs are common in larger organizations, Michigan governmental units have traditionally not utilized this function. We are aware that the City is giving consideration to developing an internal audit program. We encourage the City to continue its efforts in this area.

## OPERATIONAL ITEMS

### Funding of Post-Employment Benefit Obligations

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the *government-wide financial statements*, rather than the individual fund level. As a result, the City will need to continue to budget only the expected cash payments, whether directly for health insurance premiums or for contributions to a pre-funding plan. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in coming years. We recommend that the City continue its proactive efforts to monitor and fund this future expenditure. The statement will not be effective until the City's 2007-08 fiscal year.

### Process and Technology Design

The City of Dearborn clearly understands the need to make the most efficient use of the City's personnel in this very difficult economic climate. We understand from management that each department is reviewing their processes to keep their budget lean. We commend you on the improvements that have already been made and encourage management to continue this proactive thinking. By continuing to evaluate and implement new technologies, the City will continue to allow personnel to be used more effectively. For example, the City already utilizes computerized water meter reading devices. Other communities are beginning to make use of remote meter reading technologies which allow for meters to be read simply by driving a specially equipped vehicle through neighborhoods. This might allow water department personnel to be used in more value-added capacities.

### Tax Levies

We encourage management to continue to monitor and balance the amount levied on debt and garbage mills. Each year, existing accumulations of fund balance should be taken into account when setting the levy amount. However, if full costs are not being covered by the levy, and additional authorized mills are available, consideration should be given to this as well.

### Administrative Service Fees

State law allows for the City's General Fund to charge Street Funds for reimbursement of administrative functions, up to 10% of ACT 51 revenues received. Currently, it appears that the Street Funds are paying less than 10% of ACT 51 revenues in administrative reimbursements. Management should continue to monitor the cost of administration provided by the General Fund and charge for services appropriately.

User Fee Rates

As part of the test of transactions that we perform during our audit, we tested one receipt for a birth record and one receipt for a death certificate. In each case, we were not able to verify the standard rate charged, as it was not posted by the City. For our audit test, we were able to verify the rate using internal records of the City. However, as a customer service, management should consider making published rates available.

Water and Sewer Usage

We continue to bring to your attention that water and sewer units billed to customers continues to decline. There has been a 25% decline in the units billed from June 30, 2000 to June 30, 2004 (1,068,558 in 2000 to 800,247 in 2004). We encourage management to continue to monitor this decline and the contributing reasons, and budget/plan accordingly.

Pension Systems

During the testing of the Pension Systems, we noted that the pension board does not approve the refund calculations. Each calculation is prepared by the payroll department. In order to ensure the accuracy and reasonableness of the calculation, there should be some oversight of the calculation.

District Court

Fines and fees generated from the City's District Court fluctuate annually based on a variety of factors (volume of tickets written, nature of caseload, etc.). Based on the following chart, it appears that the revenue generated by the Court that is remitted to the City has declined and that the direct expenditures of the Court exceeded revenue for the City's year ended June 30, 2004:

	6/30/2002	6/30/2003	6/30/2004
19 <sup>th</sup> District Court fines	\$2,907,036	\$3,053,237	\$2,662,928
District Court Expenditures	\$2,495,865	\$2,673,114	\$2,889,626

The City has begun to assist the Court's accounting staff in improving their accounting system and how they report financial data to the City. During our audit, we noted several improvements to the Court's accounting system and encourage the City to continue their assistance.

## LEGISLATIVE ISSUES

### State Revenue Sharing

State shared revenue accounts for approximately 10% of the City's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

Although sales tax revenue would support an increase to total state shared revenue payments, the State's budget situation remains troublesome at best. As you are probably aware, the Governor's budget for the State's 2004/2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties' only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2004/2005 fiscal year at the prior year levels. This plan was recently approved by the Michigan legislature and signed by the Governor.

It is generally acknowledged that the State's budget woes will continue for several more years. The Governor recently announced that another \$500 million shortfall exists for the State's 2005/2006 fiscal year budget (the State's 2005/2006 fiscal year budget will be introduced by the Governor in early 2005). Also, during October 2004, the Governor announced that her administration may introduce a significant tax restructuring proposal shortly. Specific details of the proposal have not been formally announced and the impact on significant revenue sources to local governments, such as personal property taxes and revenue sharing, is not known. As a result of the continuing uncertainty with the State's budget situation and other potential developments with changes to State's tax structure, we continue to urge the City to be very conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

The table below details state shared revenue for the City over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the City compared to the State's fiscal year 2000.

State Fiscal Year	Statutory	Constitutional	Total	Change from 2000
2000	\$5,882,000	\$6,052,000	\$11,934,000	\$ -
2001	5,938,000	6,335,000	12,273,000	339,000
2002	5,358,000	6,409,000	11,767,000	(167,000)
2003	4,601,000	6,518,000	11,119,000	(815,000)
2004	3,546,000	6,447,000	9,993,000	(1,941,000)

We will continue to update the City as developments occur.

#### Transportation Matters

The Legislature recently approved HB 5319 which would earmark one-half of one cent of the state gasoline tax for the preservation, improvement or reconstruction of existing bridges. It is estimated that over the next 10 years approximately a half billion dollars will be available to local governments for bridge needs. Presently, these monies are used primarily by the Michigan Department of Transportation for State bridges. The legislation creates a Local Bridge Authority to manage the monies, as well seven five-member regional bridge councils. The new Authority would consist of six voting members appointed by the State Transportation Commission (three nominations by the County Road Association of Michigan and three by the Michigan Municipal League) and two non-voting members nominated by the Department of Transportation.

Also, HB 4358 has been introduced, which would change vehicle weight restrictions on Michigan roads for certain trucks (without regard to existing limitations imposed by local governments) and could reduce overweight truck fines.

#### Fire Protection Grants

Certain communities with qualifying state-owned property within their jurisdiction receive fire protection grants from the State of Michigan. A portion of the grants are included in the Department of Labor and Economic Growth budget (approximately \$3.7 million) and the remainder is to be paid to local governments as a result of legislative changes made last year (\$3.5 million). In combination, the State forecasts for its 2004/2005 fiscal year that approximately \$7.2 million of fire protection grant monies will be available to local governments. In addition, new legislation (HB 5313) could provide an estimated additional \$3.7 million from the potential sale of excess state land to local governments receiving fire protection grants. As passed, HB 5313 deposits proceeds on identified potential land sale transactions that exceed \$36 million into the fire protection fund for payment to local governments. While it appears that these monies will experience an increase, due to the nature of their appropriation and the history involving their availability, local governments receiving these monies should continue to budget these monies carefully when doing multi-year planning.

#### Property Tax Matters

During the current legislative session, there have been a number of bills involving property taxes that impact local governments. The following is a highlight of several of the bills:

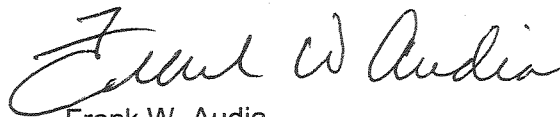
- HB 6017 was introduced to address the inconsistent treatment of assessing commercial property using the occupancy method. The inconsistent treatment occurs when the taxable value of a commercial property is reduced based on a loss in occupancy and a corresponding increase will not occur when occupancy increases, resulting in a permanent taxable cap on property (subject to annual inflationary increases). This treatment is a result of what is commonly referred to as the "WPW Case" involving the City of Troy.

- HB 4649 was passed by the House and would allow for local governments to pass a resolution exempting new construction on homestead property used as a living area from property taxes (subject to certain limitations) in all or just certain areas of the local jurisdiction.
- HB 5358 was introduced and would change the requirements for personal property tax examiners, including: requiring the State Tax Commission to qualify examiners based on experience and examination; require examiners to be employees of a local government; and make payments to examiners on a per parcel basis.
- HB 5538, as passed by the House, exempts property under development from school operating taxes (18 mills) by classifying the property as "homestead" property. The bill also proposes to not allow the taxable value of property to "uncap" when the property is sold to a new owner.
- HB 4234, as passed by the House, would provide a personal property tax exemption to businesses with taxable value of personal property of \$7,500 or less (these businesses would be exempt from paying any personal property taxes). Language was included in the House that any revenue loss to local governments would be reimbursed by the State. However, these monies would require an appropriation by the Legislature.

We consider it a privilege to be of service to the City. If you wish to discuss any of the items included in this report or other matters, we would be happy to do so.

Very truly yours,

PLANTE & MORAN, PLLC



Frank W. Audia



Christopher S. Jones